

Supplement to the 2004 Annual Report to the Illinois General Assembly on Insurance Cost Containment



Rod R. Blagojevich, Governor

Fernando E. Grillo, Secretary
Deirdre K. Manna, Acting Director



**ILLINOIS DEPARTMENT OF
FINANCIAL AND PROFESSIONAL REGULATION**

FERNANDO E. GRILLO, SECRETARY

ROD R. BLAGOJEVICH, GOVERNOR

Division of Insurance

Deirdre K. Manna, Acting Director

July 2004

To the Honorable Members of the 94th General Assembly:

The Illinois Insurance Cost Containment Act requires the Director of Insurance to submit an annual report to the General Assembly by April 15th containing his analysis of the Illinois insurance market and his recommendation of the most appropriate and comprehensive cost containment system for the state (Article XLII, 215 ILCS 5/1202d).

In accordance with the requirement of Section 1202 of the Illinois Insurance Code, I submitted the Annual Report to the General Assembly on Insurance Cost Containment for 2004 on April 15, 2004. It contained significant information on both a nationwide and Illinois basis regarding the underwriting results for the property and casualty insurance industry for the year 2002.

In the cover letter for the 2004 Annual Report, I reported that I asked my staff to provide a supplement to this report, which would include 2003, and later data and information. This document supplements the 2004 Annual Report that was submitted on April 15, 2004.

Sincerely,

Deirdre K. Manna,
Acting Director

TABLE OF CONTENTS

	<u>Page</u>
Purpose of This Supplement	1
Overview	3
Direct Premiums Written and Loss Ratios by State	5
Analysis of the Marketplace	8
Availability	8
Herfindahl/Hirschman Index and Market Shares by Line of Business	8
Market Shares of Residual Market Mechanisms.	17
Participation in Alternative Risk Transfer Mechanisms	23
Profitability	25
Reliability	33
Bibliography	
Appendix A: Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002.	
Appendix B: Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002.	
Appendix C: Consolidated Underwriting and Investment Exhibit of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002.	
Appendix D: Consolidated Cash Flow of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2002.	
Appendix E: Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2002.	
Appendix F: Consolidated Insurance Expenses Exhibit Part III of Illinois-licensed Property/Casualty Insurers for 2002.	

Purpose of This Supplement

The Division of Insurance is required by statute to submit an *Annual Report to the Illinois General Assembly on Insurance Cost Containment* by April 15th of each year. Because much of the insurance company financial data necessary to compile the report are not available until March 31st, some information in the Annual Report is nearly 18 months old at the time of publication. For example, the Annual report submitted on April 15, 2004, summarizes insurance information for calendar year 2002.

However, with the significant changes in the property and casualty insurance markets over the past several years, the Division believes a more timely review of the Illinois insurance marketplace is in order. This supplemental report looks at market conditions occurring during 2003 and the first several months of 2004 to provide a more accurate assessment of the current Illinois property and casualty industry.

Note: Some of the data included in this report is the same as that reported on April 15, 2004. This redundancy is primarily found in the information derived from the data filed pursuant to the Cost Containment Act.

Overview

This supplement to the April 15, 2004 report contains information and data for the year 2003 for the following lines of business: Medical Malpractice, Homeowners, Private Passenger Automobile, Commercial Automobile Liability, Workers Compensation and General Liability.

This spring brought even more attention to medical malpractice insurance. State legislatures throughout the nation are again debating whether caps on jury awards in medical malpractice cases can cure the high price of medical malpractice insurance and dwindling availability of coverage. A number of states, including Illinois, introduced legislation in an effort to reduce or alleviate the ever-increasing medical malpractice insurance premiums and encourage insurers to lift their moratoriums on new business.

Many states were hit hard by violent weather during the last part of May. Eleven Midwestern states along with New York, North Carolina and South Carolina experienced violent storms between May 20 and May 24, which produced flooding and wind damage from tornadoes. Insurance Services Office Inc. estimates that losses will easily exceed \$25 million, the level of losses used to define a catastrophe.¹

According to the May 2004 U.S. Division of Labor's Consumer Price Index, automobile insurance rose 7.8% in 2003 from the previous year, while homeowners and tenants' insurance rose 5.6%. For the twelve months ending May 2004, the CPE increased 1.6% and 2.3% respectively. This is a significant reduction in the rate of change from the previous 12-month period.

In the Workers Compensation line of business, losses, as a percent of earned premium, declined from 2001 to 2002 in Illinois, after steadily rising over the previous years. Losses in Illinois rose slightly in 2003 but have been in line with nationwide workers compensation losses over the past three years.

¹ *Insured Loss From Midwest Storms Likely to Reach at Least \$25 Million*, Best Week, pg. 7, May 31, 2004.

DIRECT PREMIUMS WRITTEN AND LOSS RATIOS BY STATE

Figure 1 shows a breakdown of total direct premium written (DPW) and losses incurred for the property/casualty industry by state from 1999 through 2003.

Direct written premium in Illinois was \$21.7 billion in 2003, which represented 4.7% of the nationwide total. Total property/casualty losses incurred in Illinois averaged 73.6% of earned premium over the past five years. Losses in Illinois totaled 70.1% of earned premium during 2003, compared to 66.9% in 1999.

Figure 1

Total US Property/Casualty Industry (\$ In Millions)

State Distribution and Loss Experience

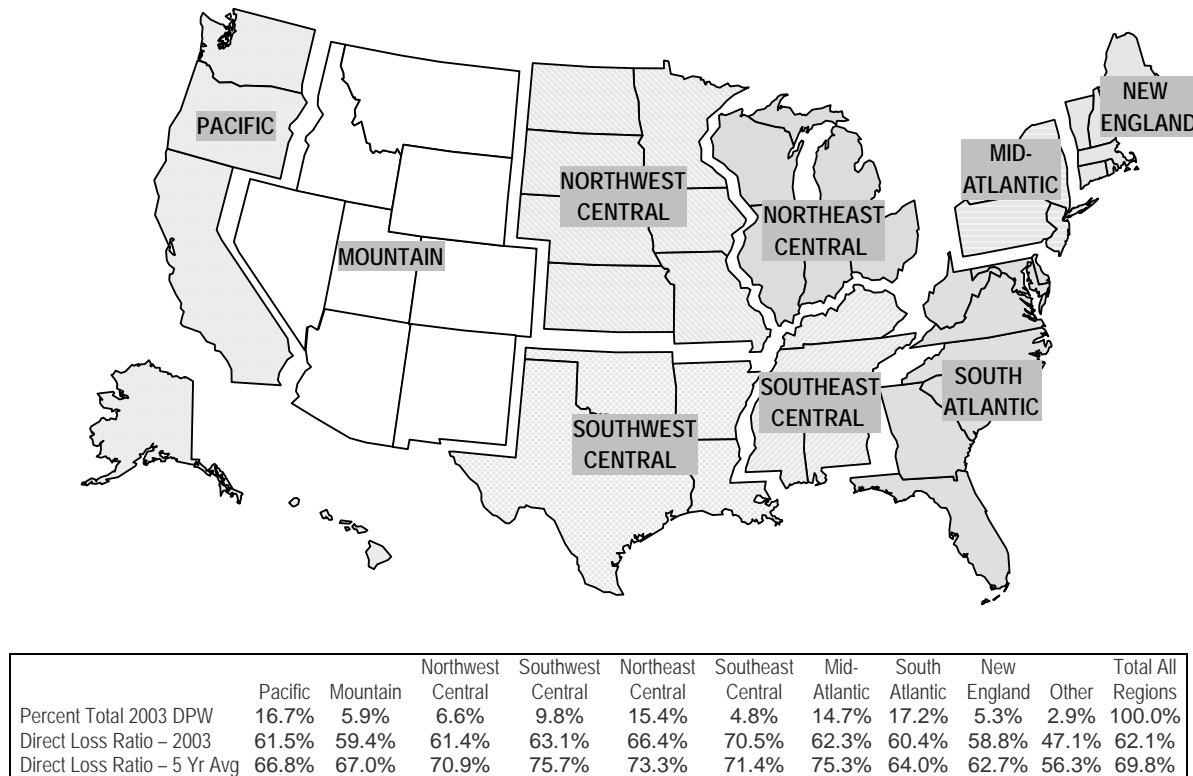
Rank	State	\$ 2003 DPW	% of Total DPW					*Direct Pure Loss Ratio (%)					5 Yr. Avg.
			2003	2002	2001	2000	1999	2003	2002	2001	2000	1999	
1	California	61,352	13.3	12.7	12.3	11.9	11.7	62.9	72.0	70.3	69.5	61.0	67.1
2	New York	33,493	7.2	7.1	7.0	7.0	7.0	60.4	70.5	138.3	68.5	62.8	80.1
3	Texas	32,225	7.0	7.1	6.9	6.7	6.7	62.8	78.5	96.4	78.6	66.5	76.6
4	Florida	30,177	6.5	6.5	6.5	6.4	6.4	52.2	61.3	64.0	63.1	59.8	60.1
5	Illinois	21,703	4.7	4.6	4.5	4.6	4.6	70.1	75.2	81.1	74.9	66.9	73.6
6	Penn.	18,300	4.0	4.0	4.1	4.1	4.1	66.9	76.0	75.3	73.6	74.8	73.3
7	Ohio	16,474	3.6	4.0	3.8	3.7	3.7	65.6	74.7	76.1	76.9	71.5	73.0
8	N. Jersey	15,939	3.4	3.5	3.5	3.6	3.7	61.1	67.1	68.5	65.5	63.7	65.2
9	Michigan	15,836	3.4	3.6	3.6	3.7	3.7	70.6	75.5	83.9	75.8	81.8	77.5
10	Georgia	11,948	2.6	2.6	2.7	2.7	2.7	64.1	63.2	68.7	66.9	63.7	65.3
11	Mass.	11,267	2.4	2.5	2.5	2.6	2.5	59.5	59.7	66.6	59.3	58.1	60.6
12	N. Carolina	10,436	2.3	2.3	2.4	2.4	2.4	61.4	60.5	63.5	66.0	77.3	65.7
13	Indiana	9,577	2.1	2.1	2.2	2.1	2.1	59.2	66.7	70.5	70.3	71.4	67.6
14	Virginia	9,299	2.0	2.0	2.1	2.0	2.0	73.6	61.0	63.6	71.7	73.6	68.7
15	Minnesota	8,406	1.8	1.8	1.8	1.9	1.9	65.8	62.9	84.3	75.4	70.6	71.8
16	Missouri	8,353	1.8	1.8	1.8	1.8	1.8	64.9	67.1	85.1	66.4	64.9	69.7
17	Maryland	8,034	1.7	1.7	1.7	1.7	1.7	71.5	73.2	72.5	69.3	67.4	70.8
18	Colorado	8,002	1.7	n/a	n/a	n/a	n/a	62.1	n/a	n/a	n/a	n/a	62.1
19	Washington	7,986	1.7	1.7	1.8	1.8	1.8	56.0	61.4	77.3	66.6	68.2	65.9
20	Tennessee	7,606	1.6	1.7	1.7	1.7	1.8	76.5	67.0	70.6	69.5	68.4	70.4
	All other	98,750	22.2	25.3	25.7	25.8	25.8	60.0	66.2	73.4	67.0	69.7	67.3
	Total	100.0	100.0	100.0	100.0	100.0	100.0	62.1	68.8	78.8	69.5	67.2	69.3

* Direct Pure Loss Ratio is calculated by dividing losses incurred by direct earned premium.

Source: 2003 data: NAIC State Data Network; aggregate 2003 Schedule T for all property/casualty insurers. Other data: Best's Aggregates & Averages-Property/Casualty, United States and Canada, Supplement, 2003 Edition.

Figure 2 shows a breakdown of direct premiums written and loss ratios for the property/casualty market for ten distinct regions of the United States during 2003 and the average for the last five years.

Figure 2
Distribution of Direct Premiums Written and Loss Ratios by Region



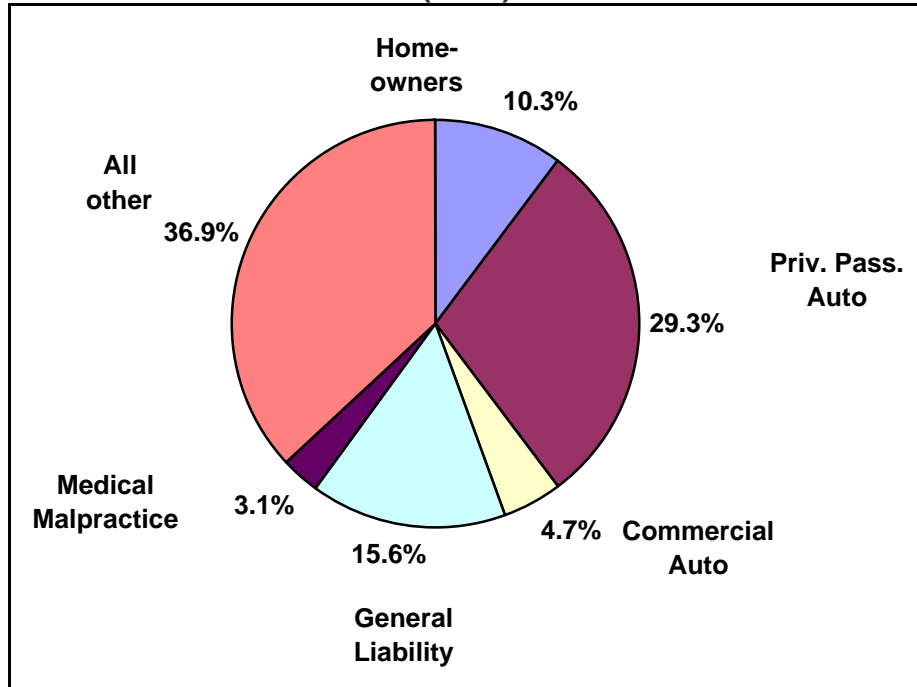
In terms of direct written premium, the South-Atlantic region led the nation with 17.2% of all premium written in 2003, followed by the Pacific region. The Southeast Central region experienced the highest loss ratio to earned premium last year. Over the last five years, the Mid-Atlantic states have seen the highest losses compared to earned premium. The “other” region includes American Samoa and Guam, Puerto Rico and the U.S. Virgin Islands and Canada.

Figure 3 illustrates the distribution of property/casualty premium written by line of business during 2003 in Illinois. As the chart shows, personal-lines insurance (homeowners and private passenger automobile) makes up the largest portion of the property/casualty market, 39.6% of the total \$19.4 billion. Private passenger automobile (29.3%), including both the liability and physical damage component, is the single largest line of insurance. Cost Containment data are reported to the Division pursuant to Illinois Administrative Code Title 50, Chapter I, Subchapter iii, Part 4203 – “The Cost Containment Data and Reporting Requirements” for the following lines of business: private passenger automobile (liability and physical damage separately), homeowners (including residen-

tial fire), commercial automobile liability, and specified insurance classes from the medical malpractice and other liability lines.

Figure 3

**Percent by Line of All Property/Casualty
Premiums Written in Illinois (2003)**



Source: NAIC State Data Network

ANALYSIS OF THE MARKETPLACE

From both a consumer's and a regulator's standpoint, insurance regulation should provide an environment where:

- Coverage is available.
- Coverage is offered at a reasonable price.
- Coverage is available from reliable insurers.

The Cost Containment Act requires the Division to analyze the marketplace each year and to recommend changes that may be needed to correct market problems.

The Division measures the overall competition of the Illinois marketplace by looking at three elements: availability, profitability, and reliability.

Availability

The Division measures availability in three ways:

1. Herfindahl/Hirschman Index (HHI) and Market Shares by Line.
2. Market Shares of Residual Market Mechanisms.
3. Participation in Alternative Risk Transfer Mechanisms.

Herfindahl/Hirschmann Index (HHI) and Market Shares by Line

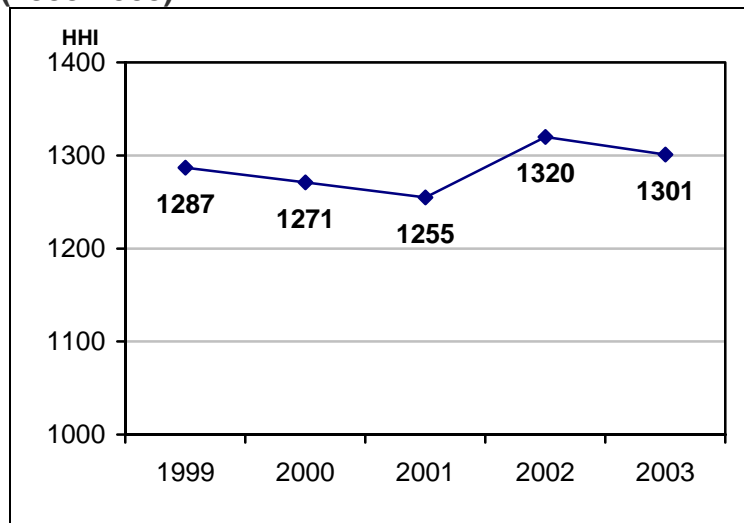
The Cost Containment Act requires the Division to collect and analyze data in five major lines of business: homeowners', private passenger automobile, commercial automobile liability, medical malpractice, and other liability. This report contains a comparison of underwriting results for Illinois versus nationwide for these five lines of business and an analysis of market concentration and market share in the State of Illinois. Market concentration is determined using an economic measure known as the Herfindahl/Hirschmann Index (HHI). The HHI is the summation of the squares of each company's market share. Generally, an HHI of 1800 or above is an indication that the market may be too highly concentrated and may be approaching anti-competitive behavior.

Homeowners HHI

Figure 4 provides a graph of the HHI for Illinois homeowners' insurance from 1999 through 2003. After reaching a five-year high of 1320 in 2002, the HHI for homeowners insurance dropped down to 1301 last year.

Figure 4

Illinois Market Concentration - Homeowners (1999-2003)



The top ten Illinois homeowners' writers (including residential fire) and their market shares for 2003 and 2002 are shown in Figures 5 and 6.

Figure 5

Top 10 Homeowners Insurers in Illinois – 2003

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire And Casualty Co	\$649,339	\$604,384	32.4%	62.5%	1.1%	13.3%	2.8%
Allstate Ins Co	185,581	185,919	9.3%	53.8%	1.5%	11.4%	1.6%
Country Mutual Ins Co	133,703	120,487	6.7%	65.9%	1.5%	14.9%	3.4%
Illinois Farmers Ins Co	121,543	121,251	6.1%	46.4%	1.9%	16.2%	2.9%
American Family Mutual Ins Co	117,795	105,168	5.9%	66.0%	2.1%	14.7%	2.8%
Allstate Indemnity Co	92,765	72,148	4.6%	72.5%	1.5%	14.8%	1.8%
Economy Premier Assurance Co	47,362	47,367	2.4%	45.6%	0.4%	17.0%	1.1%
Travelers Prop & Cas Ins Co of IL	34,717	30,480	1.7%	45.0%	1.9%	16.2%	4.3%
Auto-Owners Ins Co	21,462	18,764	1.1%	96.8%	-0.8%	20.3%	3.3%
Nationwide Mutual Fire Ins Co	21,080	19,342	1.1%	82.5%	1.7%	13.8%	-0.3%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Figure 6
Top 10 Homeowners Insurers in Illinois – 2002

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire & Casualty	\$554,780	\$488,907	32.4%	72.5%	1.2%	13.4%	1.4%
Allstate Insurance Co	182,544	167,923	10.7%	57.4%	0.9%	10.2%	1.0%
Illinois Farmers Ins Co	118,273	108,684	6.9%	45.5%	4.0%	18.2%	1.4%
Country Mutual Ins Co	105,760	98,125	6.2%	64.1%	1.3%	14.4%	1.2%
American Family Mutual	93,658	84,687	5.5%	64.2%	1.1%	14.4%	0.7%
Allstate Indemnity	52,963	37,680	3.1%	64.5%	1.3%	17.4%	1.4%
Economy Premier Assurance	46,980	34,810	2.7%	53.5%	1.1%	20.9%	1.3%
Safeco Ins Co of Illinois	30,060	33,350	1.8%	77.8%	3.5%	16.0%	1.2%
Travelers P&C of Illinois	27,058	23,488	1.6%	70.6%	1.5%	17.0%	1.8%
Economy Fire & Casualty Co	17,775	18,078	1.0%	52.4%	-1.8%	-0.2%	1.1%

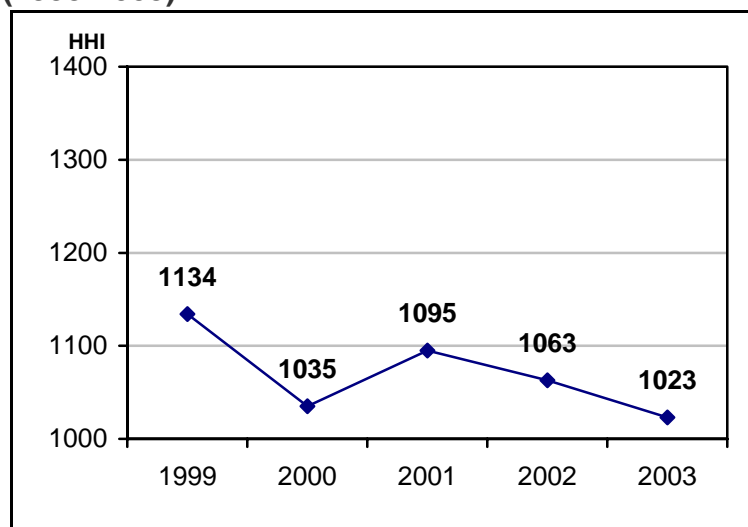
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Private Passenger Automobile HHI

Figure 7 provides a graph of the HHI for Illinois private passenger automobile insurance (including liability and physical damage) from 1999 through 2003. It suggests that market concentration for private passenger coverage has generally exhibited a downward trend since 1999.

Figure 7

Illinois Market Concentration - Private Passenger Automobile (1999-2003)



The top ten Illinois private passenger automobile writers (liability and physical damage coverage combined) and their market shares for 2003 and 2002 are shown in Figures 8 and 9.

Figure 8
Top 10 Private Passenger Auto Insurers in Illinois - 2003

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mutual Auto Ins Co	\$1,656,236	\$1,646,283	29.2%	67.0%	2.6%	7.3%	1.2%
Allstate Insurance Co	415,822	415,997	7.3%	60.8%	2.6%	11.9%	1.4%
Country Mutual Insurance Co	329,924	325,198	5.8%	59.8%	1.7%	9.8%	1.8%
American Family Mutual Ins Co	253,433	249,102	4.5%	72.6%	4.3%	8.6%	2.0%
Illinois Farmers Insurance Co	251,111	254,323	4.4%	53.4%	4.4%	11.5%	2.3%
Allstate Prop. & Casualty Ins Co	191,681	176,321	3.4%	76.2%	4.0%	12.4%	1.4%
State Farm Fire And Casualty Co	144,692	140,699	2.6%	82.7%	2.7%	9.8%	1.2%
Affirmative Insurance Co	83,921	85,066	1.5%	51.8%	0.0%	38.0%	0.5%
Progressive Universal Ins Co of IL	71,558	58,165	1.3%	53.8%	1.5%	11.2%	2.1%
Country Preferred Insurance Co	70,550	63,995	1.2%	60.9%	1.7%	12.3%	1.3%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Figure 9
Top 10 Private Passenger Auto Insurers in Illinois - 2002

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mutual Auto Ins Co	\$1,594,102	\$1,558,703	29.8%	75.4%	2.9%	7.2%	0.5%
Allstate Insurance Co	419,791	421,484	7.9%	59.3%	3.2%	10.3%	1.1%
Country Mutual Insurance Co	308,369	302,752	5.8%	64.6%	1.6%	9.5%	0.7%
Illinois Farmers Insurance Co	254,119	255,142	4.8%	49.3%	2.8%	12.8%	0.9%
American Family Mutual Ins Co	236,161	229,474	4.4%	64.3%	3.8%	8.3%	0.0%
Allstate Prop & Cas Ins Co	132,594	118,959	2.5%	73.5%	3.9%	11.0%	1.3%
State Farm Fire And Casualty Co	130,800	125,747	2.4%	94.4%	3.2%	9.8%	0.5%
Safeco Insurance Co of IL	79,440	78,926	1.5%	68.5%	2.1%	12.0%	0.7%
Economy Premier Assurance Co	70,783	57,833	1.3%	60.7%	1.8%	18.1%	0.7%
Affirmative Insurance Co	67,141	42,431	1.3%	111.7%	0.0%	41.3%	0.9%

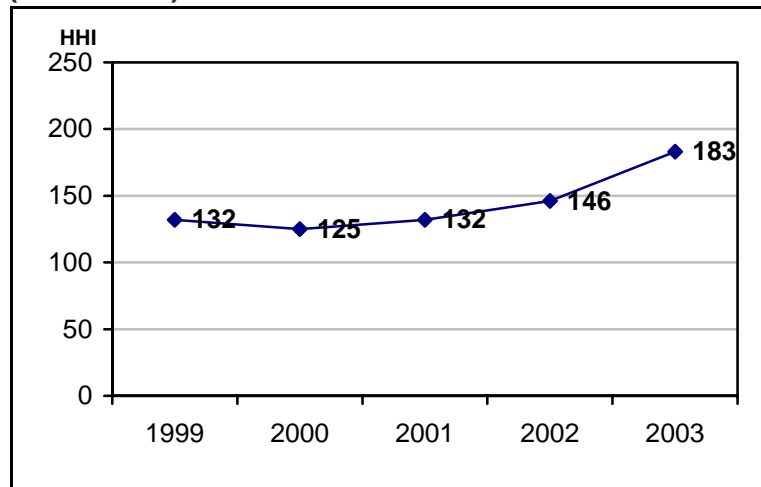
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Commercial Automobile Liability HHI

Figure 10 provides a graph of the HHI for Illinois commercial automobile liability from 1999 through 2003. The HHI suggests that the market concentration in Illinois for commercial automobile liability insurance is very low (very competitive).

Figure 10

Illinois Market Concentration - Commercial Automobile Liability (1999-2003)



The top ten Illinois commercial automobile liability writers for 2003 and 2002 are shown in Figures 11 and 12.

Figure 11

Top 10 Commercial Auto Insurers in Illinois - 2003

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
American Home Assur Co	\$57,657,238	\$12,414,409	6.2%	53.7%	3.8%	1.9%	14.7%
Transguard Ins Co of Amer Inc	40,667,243	38,100,857	4.4%	31.1%	1.3%	23.3%	2.5%
Zurich American Ins Co	32,905,210	28,860,272	3.5%	46.5%	6.7%	11.9%	4.1%
American Country Ins Co	29,721,398	28,916,551	3.2%	83.7%	14.7%	2.8%	4.8%
St Paul Fire & Marine Ins Co	28,302,729	27,948,338	3.0%	58.6%	6.8%	14.5%	3.4%
Northland Ins Co	27,168,483	25,563,027	2.9%	79.0%	9.5%	18.7%	1.1%
Cincinnati Ins Co	26,326,665	25,249,350	2.8%	67.2%	1.2%	17.1%	1.6%
Great West Cas Co	25,753,393	24,368,126	2.8%	84.0%	11.1%	11.9%	1.8%
State Farm Mut Auto Ins Co	25,401,316	24,568,225	2.7%	59.5%	2.3%	8.6%	1.4%
American Service Ins Co Inc	24,270,724	21,996,156	2.6%	42.6%	7.2%	12.4%	2.2%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Figure 12
Top 10 Commercial Auto Insurers in Illinois – 2002

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Transguard Ins Co of Amer Inc	\$33,676,595	\$28,873,873	4.1%	29.6%	-0.1%	15.6%	2.6%
St Paul Fire & Marine Ins Co	26,434,150	24,435,303	3.3%	43.3%	7.5%	12.6%	2.7%
Cincinnati Ins Co	25,789,379	22,987,547	3.2%	55.4%	8.3%	16.6%	3.8%
American Country Ins Co	24,792,533	25,190,572	3.1%	82.9%	4.2%	3.8%	2.5%
Northland Ins Co	24,559,924	21,001,023	3.0%	46.0%	7.6%	18.8%	3.2%
Great West Cas Co	23,772,699	23,296,701	2.9%	52.1%	8.5%	12.0%	1.7%
State Farm Mut Auto Ins Co	23,603,305	22,934,513	2.9%	59.6%	5.0%	7.7%	0.5%
Zurich American Ins Co	22,769,787	17,629,887	2.8%	78.1%	9.7%	13.5%	1.5%
American Service Ins Co Inc	21,779,887	19,291,452	2.7%	37.8%	3.2%	13.3%	1.8%
West Bend Mut Ins Co	19,372,589	16,608,698	2.4%	66.4%	-7.8%	16.5%	0.8%

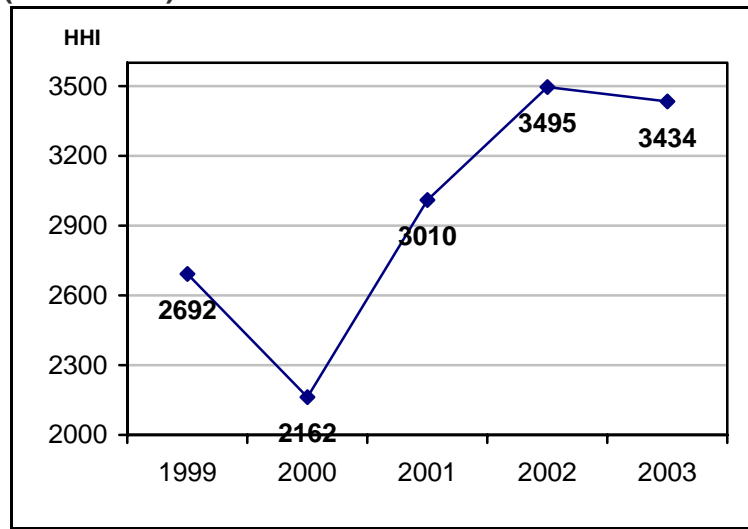
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Medical Malpractice HHI

Figure 13 provides a graph for the HHI for Illinois medical malpractice coverage from 1998 through 2003. As is the case for most other states, the largest writer in Illinois of medical malpractice coverage is a physician-affiliated exchange. In Illinois, that provider is the ISMIE Mutual Insurance Company, which wrote 56.2% of the medical malpractice coverage in 2003. The second largest medical malpractice insurer, by direct written premium, was American Physicians Assurance Corp., which wrote only 14.7% of the business. The market is highly concentrated, with an HHI well above the 1800 level, as the chart shows.

Figure 13

Illinois Market Concentration - Medical Malpractice (1999-2003)



The top ten Illinois medical malpractice writers and their market shares for 2003 and 2002 are shown in Figures 14 and 15.

Figure 14

Top 10 Medical Malpractice Insurers in Illinois – 2003

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mutual Insurance Co	\$360,772	\$341,840	56.2%	77.4%	24.4%	4.9%	1.6%
American Physicians Assurance	\$94,063	\$85,465	14.7%	84.0%	18.1%	5.3%	0.6%
Medical Protective Co	\$30,313	\$24,269	4.7%	57.0%	21.8%	8.8%	2.8%
Pronational Insurance Co	\$21,888	\$20,772	3.4%	67.4%	45.2%	8.2%	2.9%
Essex Insurance Co	\$15,960	\$14,252	2.5%	56.2%	13.2%	0.0%	0.0%
ISMIE Indemnity Co	\$14,729	\$9,050	2.3%	106.6%	23.8%	0.0%	1.5%
Physicians Insurance Co of WI	\$11,575	\$12,897	1.8%	177.6%	74.5%	10.5%	3.5%
TIG Insurance Co	\$10,863	\$9,804	1.7%	64.2%	38.2%	8.4%	2.7%
Zurich American Insurance Co	\$9,050	\$9,589	1.4%	56.1%	6.6%	0.1%	4.5%
Chicago Insurance Co	\$7,660	\$7,443	1.2%	183.7%	15.4%	15.7%	1.0%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Figure 15
Top 10 Medical Malpractice Insurers in Illinois – 2002

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mutual Insurance Co	260,756	246,576	57.9%	103.0%	30.7%	5.0%	1.6%
American Physicians Assurance	35,548	22,992	7.9%	51.9%	19.3%	9.7%	2.3%
St Paul Fire & Marine Ins. Co	21,773	33,358	4.8%	594.8%	32.1%	2.8%	2.0%
Pronational Insurance Co	17,334	17,805	3.8%	126.6%	18.6%	9.1%	1.1%
Medical Protective Co	14,899	11,175	3.3%	65.2%	16.5%	7.2%	0.6%
Physicians Insurance Co of WI	11,449	9,970	2.5%	70.3%	30.2%	10.7%	2.0%
Doctors Co An Interins. Exchg	10,661	9,685	2.4%	175.5%	-30.1%	9.4%	2.5%
TIG Insurance Co	10,174	8,234	2.3%	113.4%	17.8%	10.0%	2.9%
Chicago Insurance Co	9,313	11,579	2.1%	69.8%	6.6%	16.4%	1.2%
Cincinnati Insurance Co	5,714	5,268	1.3%	75.9%	11.5%	13.9%	3.6%

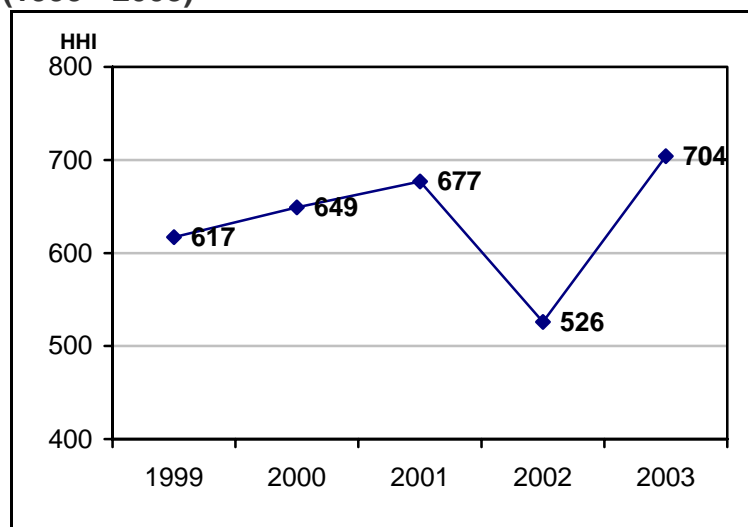
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Other Liability HHI

Figure 16 provides a graph of the HHI for Illinois other liability insurance from 1999 through 2003. The figure indicates that the market for other liability insurance in Illinois continues to be very competitive.

Figure 16

Illinois Market Concentration - Other Liability (1999 - 2003)



The top ten Illinois other liability writers and their market shares for 2003 and 2002 are shown in Figures 17 and 18.

Figure 17
Top 10 General Liability Insurers in Illinois – 2003

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
Illinois Natl Ins Co	\$672,634,514	\$570,403,266	22.2%	113.4%	3.5%	0.9%	3.9%
Zurich American Ins Co	260,204,301	248,043,858	8.6%	99.3%	16.6%	7.4%	3.8%
Zurich American Ins Co of IL	219,085,818	215,743,962	7.2%	103.5%	18.3%	0.3%	0.5%
Federal Ins Co	130,249,972	117,194,719	4.3%	28.1%	12.3%	11.2%	3.2%
New Hampshire Ins Co	112,763,663	86,272,681	3.7%	155.4%	-5.2%	0.0%	4.5%
Liberty Ins Co of Amer	110,291,574	105,526,006	3.6%	130.3%	11.0%	0.0%	0.8%
National Union Fire Ins Co of Pitts	87,368,282	88,057,355	2.9%	96.6%	18.3%	6.7%	4.2%
St Paul Fire & Marine Ins Co	64,220,497	61,474,970	2.1%	40.9%	20.7%	15.2%	3.5%
Ace American Ins Co	57,526,585	44,671,321	1.9%	13.2%	8.5%	3.7%	2.1%
Underwriters At Lloyds London	45,174,648	45,639,107	1.5%	117.3%	48.9%	17.9%	-1.9%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Figure 18
Top 10 General Liability Insurers in Illinois – 2002

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
Illinois Natl Ins Co	\$418,393,450	\$376,356,451	17.0%	143.9%	10.2%	0.8%	3.2%
Zurich American Ins Co	201,924,468	173,696,205	8.2%	83.1%	17.5%	7.3%	1.8%
Zurich American Ins Co of IL	172,415,675	180,296,589	7.0%	92.6%	16.0%	0.7%	0.5%
New Hampshire Ins Co	153,004,045	159,909,804	6.2%	193.9%	10.4%	0.1%	2.4%
Federal Ins Co	100,096,046	91,992,115	4.1%	36.5%	12.4%	12.2%	2.0%
Liberty Ins Co of Amer	97,664,944	94,005,974	4.0%	125.9%	11.0%	0.0%	0.9%
National Union Fire Ins Co of Pitts	78,795,143	35,167,441	3.2%	273.8%	-48.3%	11.3%	8.0%
St Paul Fire & Marine Ins Co	57,421,160	50,898,594	2.3%	65.8%	25.2%	14.6%	2.8%
Continental Cas Co	56,917,159	52,544,102	2.3%	-21.6%	36.3%	14.5%	1.4%
Lumbermens Mut Cas Co	38,364,728	33,495,875	1.6%	-3.6%	-2.8%	10.8%	-28.3%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

Market Shares of Residual Market Mechanisms

States establish residual market mechanisms to provide coverage for consumers who are unable to buy coverage in the voluntary market. If a marketplace does not function well, there will be an inordinate number of consumers in residual market programs. This is because insurers will tighten their underwriting standards, charge prices that are higher than what consumers can get in the residual market program, or stop writing business altogether in states where market problems persist.

Illinois residual market mechanisms provide essential insurance coverage for the hard-to-place risk, at rate levels approved by the Division. Illinois has residual market mechanisms for three lines of insurance: property, automobile, and workers' compensation.

Property - The Illinois FAIR Plan Association (FAIR Plan)

Fire and homeowners' insurance are placed directly through the FAIR Plan. Both dwelling and commercial insurance are available. Insurance companies share in the FAIR Plan's profits and losses in proportion to their voluntary market shares.

In Illinois, property insurance is widely available in the voluntary marketplace and only a very small percentage of consumers obtained coverage through the FAIR Plan. In addition, Illinois consumers are not at a coverage disadvantage when they buy insurance from the FAIR Plan, as is the case in many other states. In these other states, property residual market programs offer only dwelling fire or basic homeowners' policies. Illinois has one of the most progressive FAIR Plans in the nation. Through the FAIR Plan, Illinois consumers can buy virtually the same coverages that are available in the voluntary marketplace, including guaranteed replacement cost, sewer back-up, earthquake, and building ordinance and law endorsements.

Figure 19 shows the amount of dwelling and homeowners' written premium that the FAIR Plan made up as a percent of all dwelling and homeowners' premium written in Illinois from 1999 through 2003.

Figure 19

Written Premiums for Illinois FAIR Plan (1999-2003)

	Amount of Written Premiums	As % of Total Written Premiums
1999	\$4,945,000	0.39
2000	\$4,739,000	0.22
2001	\$4,962,000	0.20
2002	\$7,104,000	0.20
2003	\$9,800,000	0.49

Source: Premium amounts provided by Illinois FAIR Plan

Automobile - The Illinois Automobile Insurance Plan (Auto Plan)

Private passenger automobile risks are assigned to private passenger automobile insurers on a rotational basis in proportion to their voluntary market shares. Assignments stay with the company and are not shared with other writers. Commercial automobile risks are placed through servicing companies. Losses are divided among the voluntary writers of commercial automobile insurance in proportion to their share of the voluntary business.

Figure 20 compares the 1998 through 2002 market shares for the Illinois Automobile Insurance Plan compared to nationwide data. The percent of written car-years is derived by dividing the number of written car-years insured through the residual market by the total number of written car-years insured through the voluntary market. Note that Illinois has had a much smaller percentage of automobiles in the residual market than the nationwide composite.

In addition, the number of insured written car-years in the Illinois Automobile insurance Plan dropped from 2,354 in 1998 to 1,760 in 2002. This downward trend reinforces the fact that automobile insurance in Illinois is extremely competitive in the voluntary market.

Figure 20

Percent of Automobiles in Illinois Assigned Risk Plan and the United States Composite Automobile Residual Market (1998-2002)

	1998	1999	2000	2001	2002
Illinois	0.03	0.03	0.03	0.03	0.05
Nationwide	2.10	1.52	1.42	0.43	0.52

Source: AIPSO Facts 2002 (based on liability car-years). 2003 data is not available at this time.

Workers' Compensation - The Illinois Workers' Compensation Assigned Risk Pool (Pool)

Several insurers act as servicing carriers for the Illinois Workers' Compensation Assigned Risk Pool. Losses are divided among the voluntary writers of workers' compensation in proportion to their shares of the voluntary business.

Figure 21 shows the percent of Illinois workers' compensation premiums written through the Pool from 1999 through 2003. The chart shows the amount of business being written in the residual market. During 2003, only 8.7% of Illinois direct premiums written for workers' compensation were written through the Pool.

The numbers illustrated in Figure 21 do not reconcile with those in the previous years' report, the *Annual Report to the Illinois General Assembly on Insurance Cost Containment for 2003*, because the NCCI recalculated these totals using updated data not available in the past.

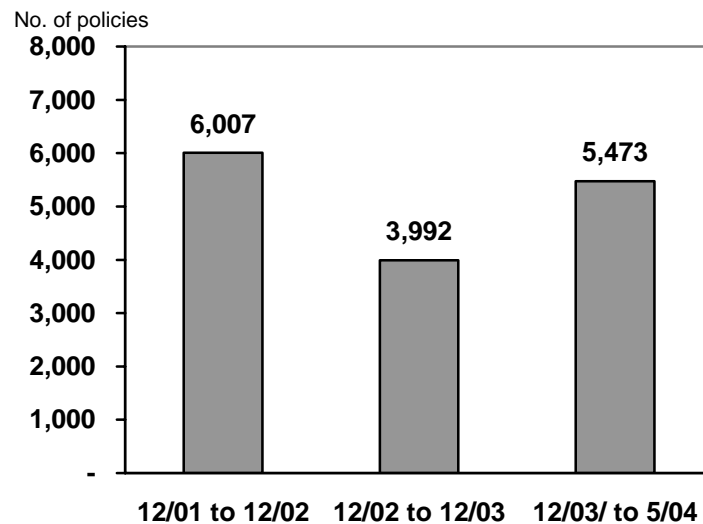
Figure 21**Percent of Illinois Workers' Compensation Written Through the Pool (1999-2003)**

	1999	2000	2001	2002	2003
Percent of Total	2.2	3.1	4.8	6.3	8.7

Source: National Council on Compensation Insurance (NCCI)

The data in the following charts, Figures 22-25, comes from the National Council on Compensation Insurance, Inc., and shows the growth of the residual market.

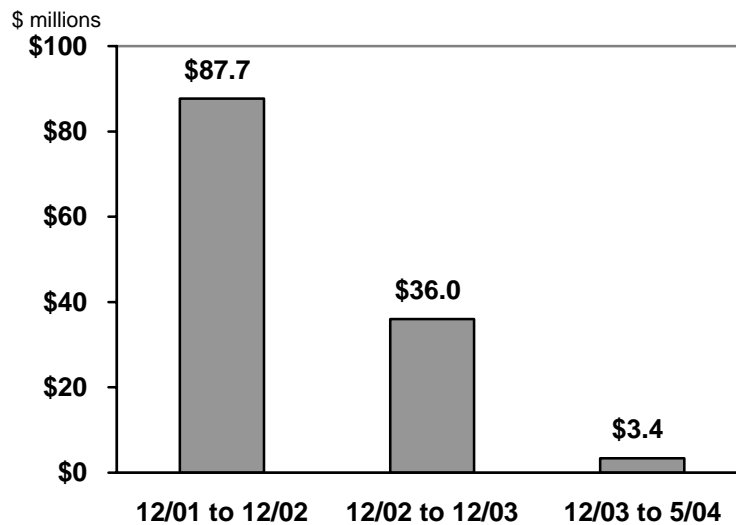
Figure 22 below shows the increase in the number of policies in force in Illinois for the residual market from year-end 2001 through April 2004. Figure 23 shows the increase in premium volume since the end of 2001.

Figure 22**Increase in Residual Market Workers Compensation Policies in Illinois** *Dec. 31 2001 to May 2004*

Source: National Council on Compensation Insurance, Inc.

Figure 23

Increase in Residual Market Workers Compensation Premiums in Illinois *Dec. 31 2001 to May 2004*

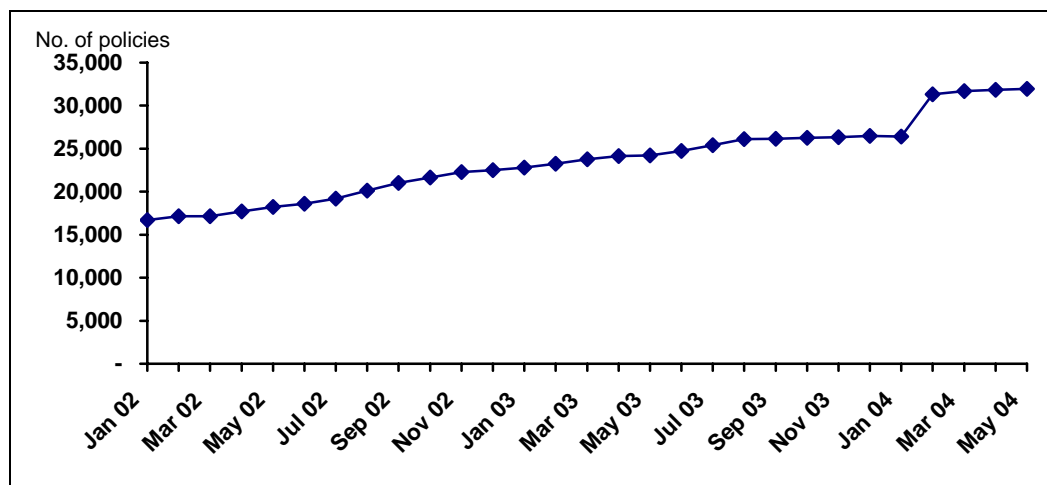


Source: National Council on Compensation Insurance, Inc.

Figure 24 shows the twelve-month totals in premium in Illinois for the residual market for all classes of workers comp coverage from January 2002 through May 2004. Figure 25 shows the twelve-month rolling totals for policies in Illinois for the same period.

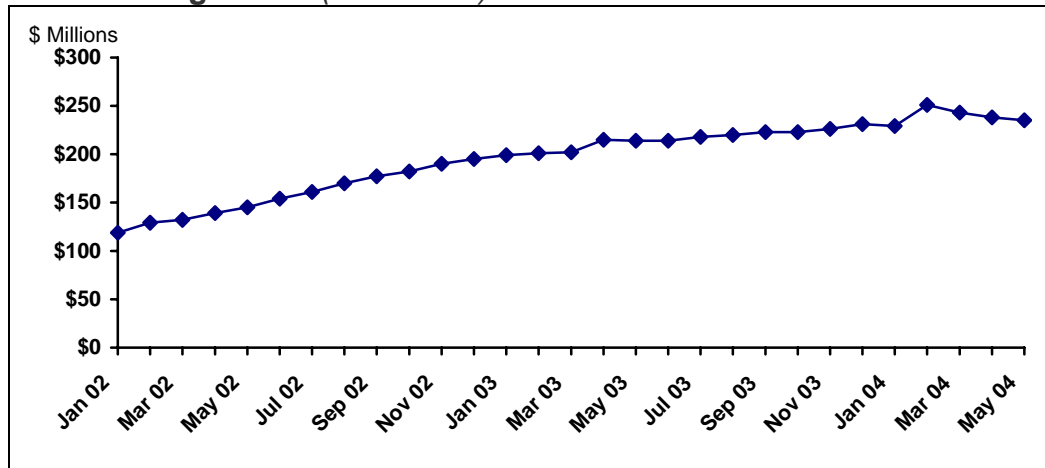
Figure 24

Illinois Plan – Workers Comp Policy Count
12-month rolling totals *(all classes)*



Source: National Council on Compensation Insurance Inc. The above figures represent the number of policies in the Illinois residual market. Included are assignments less than 120 days old that have not yet been reported as policies and a percentage of recently expired policies that are expected to be renewed.

Figure 25
Illinois Plan Premium – Workers Comp
12-month rolling totals (all classes)

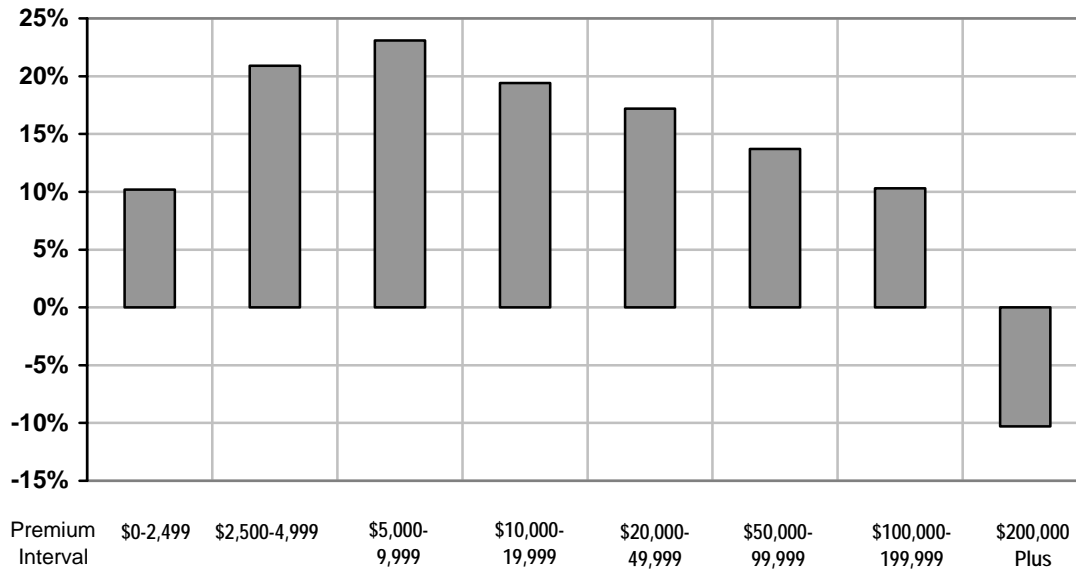


Source: National Council on Compensation Insurance, Inc. Data are based on policies reported to NCCI by Servicing Carriers. They include assignments less than 120 days old that have not yet been reported as policies and a percentage of recently expired policies that are expected to be renewed. These totals are net of cancellations and include any additional premium due to policy endorsements.

Figure 26 shows the increase in policy counts from the first quarter of 2003 to the first quarter of 2004 for different premium intervals. The chart indicates that policy counts in the residual market were greater for the smallest premium level for the first quarter of this year compared to the first quarter of 2003, but decreased for all other premium levels.

Figure 26
Residual Market Distribution by Size of Risk
Change in Policy Count from December 31, 2003 to December 31, 2004

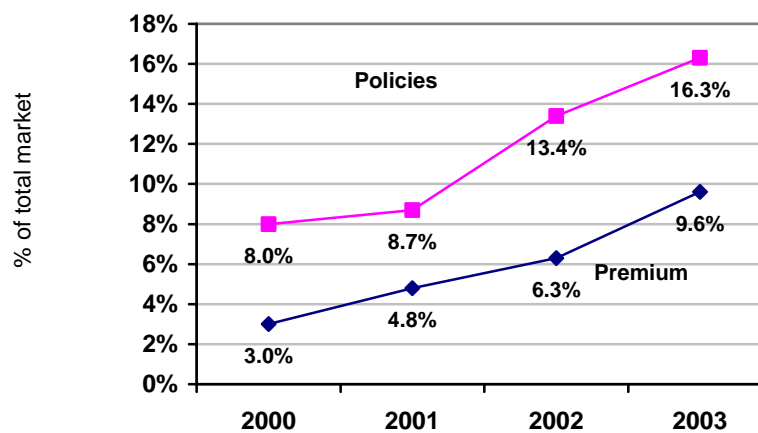
% change



Source: National Council on Compensation Insurance, Inc.

Premiums and policy counts, as a percent of the total market for workers compensation coverage, continues to increase from year to year. Figure 27 shows the percent each year for both the number of policies and premium dollars from 2000 to 2003.

Figure 27
Increase in Assigned Risk Market Share
Percent of the Total Workers Comp Market in Illinois



Source: National Council on Compensation Insurance, Inc.

Figure 28 shows the total premium in Illinois for the top ten class codes in the residual market for calendar year 2003 based on written premium.

Figure 28

**Illinois Residual Market Top Ten Classification Codes by Premium Volume
Calendar Year 2003**

Rank	Code	Description	Total State Premium	% of Premium
1	8861	Charitable or Welfare - Professional Employees	\$9,199,211	4.8%
2	8039	Store: Division-Retail	\$6,407,196	3.4%
3	5645	Carpentry	\$6,130,798	3.2%
4	5551	Roofing	\$6,079,284	3.2%
5	7228	Trucking-Local Hauling Only	\$6,004,371	3.1%
6	7229	Trucking-Long Distance Hauling	\$5,691,509	3.0%
7	8868	College: Professional Employees	\$3,926,545	2.1%
8	7720	Police Officers	\$3,835,687	2.0%
9	8380	Automobile Service or Repair Center	\$3,494,856	1.8%
10	9014	Buildings-Operation by Contractors	\$3,466,657	1.8%

Source: National Council on Compensation Insurance (NCCI)

Participation in Alternative Risk Transfer Mechanisms

Traditionally, the level of participation in alternative markets is an indicator of how well the admitted market is doing at providing coverage at prices consumers perceive to be reasonable. Therefore, if we are to assess the insurance marketplace in terms of availability, we must look at the level of activity in these alternative markets.

One problem with the non-admitted market is that there are few means by which it can be monitored. Because of the Division's limited authority over many of the alternative mechanisms, the number of risks placed and the amount of premium written cannot be assessed and a complete picture of this aspect of the insurance marketplace is unattainable. This problem has become more prevalent as the size of the transfer of risk alternative markets continues to grow.

Surplus lines refers to insurance written by a non-admitted (unlicensed) insurer through a licensed surplus lines producer. The licensed producer must exercise due diligence in protecting the insured since the Division has no jurisdiction over unlicensed companies and the Illinois Insurance Guaranty Fund provides no protection for the consumer. Thus, it is the producer and not the Division who must determine the company's financial stability and standards of management prior to submitting the risk.

Figure 29 shows the number of policies written in Illinois from 1999 to 2003 through surplus lines producers for homeowners', private passenger auto liability and physical damage, commercial auto liability, medical malpractice and general liability coverage. Of the 701 policies for medical malpractice, 227 are specifically for doctors and dentists.

(The term “general liability” used in this section equates closely to the term “other liability” used in other areas of this report).

Figure 29

Surplus Lines - Number of primary and excess policies written in Illinois (1999 - 2003)

Line of Business	1999 Illinois Policy Count	2000 Illinois Policy Count	2001 Illinois Policy Count	2002 Illinois Policy Count	2003 Illinois Policy Count
Homeowners'	987	1,955	1,126	1,181	1,340
PPA Liability	718	475	430	426	410
PPA Physical Damage	7,797	5,531	7,993	9,063	7,210
Commercial Auto Liability	33	51	45	40	22
Medical Malpractice	494	451	532	548	701
General Liability	11,108	12,078	13,825	16,812	20,857

Source: Surplus Lines Association of Illinois

INEX (previously the Illinois Insurance Exchange) provides a market for direct insurance and reinsurance. It is comprised of syndicates which underwrite and insure risks, and brokers who are authorized to place business with those syndicates. Fashioned after Lloyd's of London, INEX serves as a facilitator, record keeper and regulator for the operations of its members. INEX submits an annual financial statement to the Division reflecting both its combined financial position and the financial position of each individual syndicate.

Insurance Pools are groups that join together for the purpose of sharing certain risks on an agreed-upon basis. Participants may consolidate their risk exposures without being subject to the same regulatory requirements as admitted insurers. Pools organized under the following Acts are allowed in Illinois:

The Workers' Compensation Act allows entities that are members of a trade association, or that have similar risk characteristics, to form a risk-sharing pool. Each pool must submit annual financial statements, CPA audit reports, and actuarial opinions to the Division and are subject to examination by the Director.

The Religious and Charitable Risk Pooling Trust Act permits entities having an IRS 501c(3) exemption (a non-profit entity), or hospitals owned and operated by a unit of local government, to form a trust to pool their risks. These trust funds can only operate with prior approval of the Director of Insurance. The trusts must make annual CPA audit reports to the Division and are subject to examination by the Director.

The Intergovernmental Cooperation Act enables units of local government to enter into a pooling arrangement with other similar entities for the purpose of risk

sharing. These pooling arrangements are not regulated by the Division, however, they must register with the Division and file annual audited financial statements.

Risk Retention and Purchasing Groups are allowed under the Federal Liability Risk Retention Act of 1986. This Act eliminated barriers to group self-insurance programs by allowing them to buy group liability insurance. **At the end of year 2002, there were 50 foreign registered risk retention companies, only 2 Illinois domiciled risk retention companies, and 407 risk purchasing groups.**

Captive Insurance Companies may be formed by a company to insure its own risks and exposures, by an association to insure its member organizations, or by industrial insured groups. Illinois captives are regulated by the Division, are required to file certain financial information with the Division, and are subject to examination by the Director.

Self-insurance occurs when individuals or businesses retain their own risks. Entities that self-insure are under no obligation to report premiums, losses, or expenses to any statistical association or regulatory body.

Profitability

In monitoring competition in general, and price performance in particular, the Division does not examine individual insurer prices for appropriateness. To do so is virtually impossible. Instead, it monitors the effectiveness of competition, examining the pattern of profits throughout the market.

In examining profitability, the Director must balance the seemingly divergent concerns of consumers and insurers. To protect consumers, rates must not be excessive. There is a fine line between rates that are excessive and rates that are inadequate, especially since insurance policies must be priced long before the results of the pricing decisions are known.

The Division must also be concerned about the long-term viability of the insurance marketplace, including the financial viability of the companies that insure consumers.

Illinois-specific Underwriting Results Compared to Countrywide Results

For each of the coverages listed below, this section contains:

- combined underwriting results for business written in Illinois and business written countrywide;
- a five-year trend for Illinois losses as a percent of premiums earned, compared to the five-year trend for countrywide losses.

Personal Lines Insurance

The personal lines of insurance are homeowners and private passenger auto. Figure 30 shows the percentage change from the previous year in the Consumer Price Index for auto and homeowners insurance and related items. The CPI for homeowners insurance rose 1.6% from the end of May 2003 to May 2004. Automobile insurance was up 2.3% for the same period. For the year 2003, the CPI for homeowners insurance was 2.6% higher than in 2002 and 7.8% for auto insurance than in 2002.

Figure 30

Consumer Price Index for Automobile and Household Insurance, and Related Items

	Percentage change from year ago	
	2003 (full year)	12 mo.s ending May 2004
Overall Index	2.3%	3.1%
Household Insurance and Related Items		
Tenants' and Household Insurance	5.6%	1.6%
Repair of Household Items	4.7%	6.3%
Auto Insurance and Related Items		
Motor Vehicle Insurance	7.8%	2.3%
Motor Vehicle Body Work	1.7%	2.8%
Total Medical Care	4.0%	4.6%
Physicians Services	2.7%	3.9%
Hospital Services	7.4%	6.9%

Source: U.S. Division of Labor CPI

Figure 31 shows a comparison of the underwriting results of homeowners insurance written in Illinois with that written nationwide during 2003. As figure 31 shows, incurred losses in Illinois for the year were slightly higher than the nationwide loss ratio, while defense and cost containment expenses incurred were less than the nationwide figure.

Figure 31

Homeowners' Underwriting Results (2003)

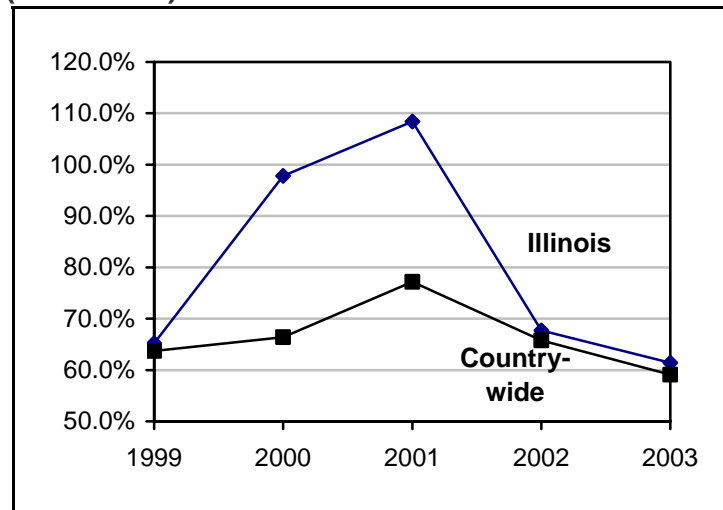
Homeowners (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	2,001,179	36,503,946
Direct earned premiums	1,859,860	34,118,256
Expenses (% <i>earned premium</i>)		
Incurred losses	61.4%	59.1%
Def. & cost cont. exp. incurred	1.7%	2.3%
Comm./brokerage	13.9%	13.5%
Taxes, licenses & fees	2.6%	2.7%

*Source: NAIC State Data Network, 2003 Illinois State Page Exhibit, Aggregate Totals of 226 Property/Casualty Companies.

**Source: NAIC State Data Network 2003 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

Figure 32 compares the five-year trend for loss percentages in Illinois and countrywide in the homeowners line of business. As the chart shows, homeowners losses in Illinois, as a percent of earned premium, were significantly higher than nationwide losses during 2000 and 2001 but returned to near the national average during 2002 and 2003.

Figure 32

Homeowners Losses as a % of Premiums Earned (1999-2003)

Private Passenger Automobile

Figure 33 compares the underwriting results of private passenger automobile insurance written in Illinois with that written countrywide during 2003. Losses incurred in the private passenger automobile line of business were better than nationwide losses.

Figure 33

Private Passenger Auto Underwriting Results (2003)

Private Passenger Auto (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	5,673,411	118,541,525
Direct earned premiums	5,598,568	116,412,677
Expenses (% earned premium)		
Incurred losses	62.8%	63.0%
Def. & cost cont. exp. incurred	2.8%	3.0%
Comm./brokerage	10.7%	8.8%
Taxes, licenses & fees	1.5%	2.5%

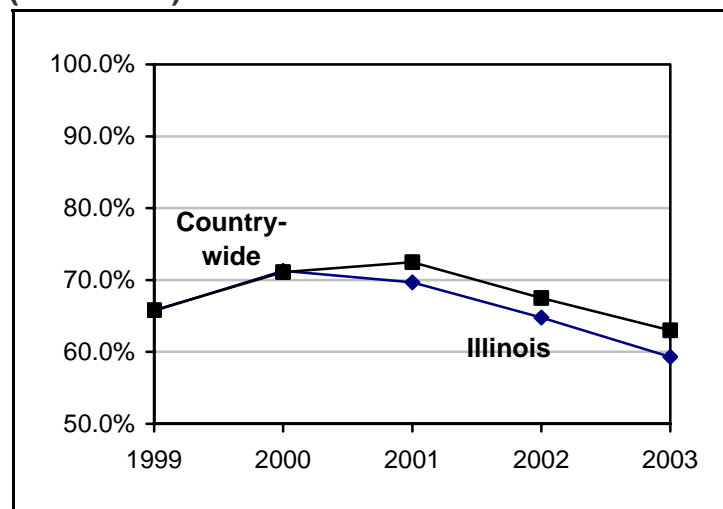
* Source: NAIC State Data Network, 2003 Illinois State Page Exhibit, Aggregate Totals of 301 Property/Casualty Companies.

**Source: NAIC State Data Network 2003 Insurance Expense Exhibit Part III Illinois-licensed insurers.

Figure 34 shows the five-year trend for loss percentages in the private passenger automobile line for Illinois and countrywide. As the chart shows, the Illinois private passenger automobile loss percentages have trended close to countrywide loss percentages over the past five years.

Figure 34

Private Passenger Auto Losses as a % of Premiums Earned (1999-2003)



Commercial Automobile Liability

Figure 35 shows the underwriting results in the commercial automobile liability line during 2002 were similar to those countrywide.

Figure 35

Commercial Automobile Liability Underwriting Results (2003)

Commercial Auto Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	919,214	17,829,860
Direct earned premiums	850,565	17,104,747
Expenses (% <i>earned premium</i>)		
Incurred losses	61.5%	60.9%
Def. & cost cont. exp. incurred	7.2%	6.3%
Comm./brokerage	13.5%	13.2%
Taxes, licenses & fees	2.5%	2.7%

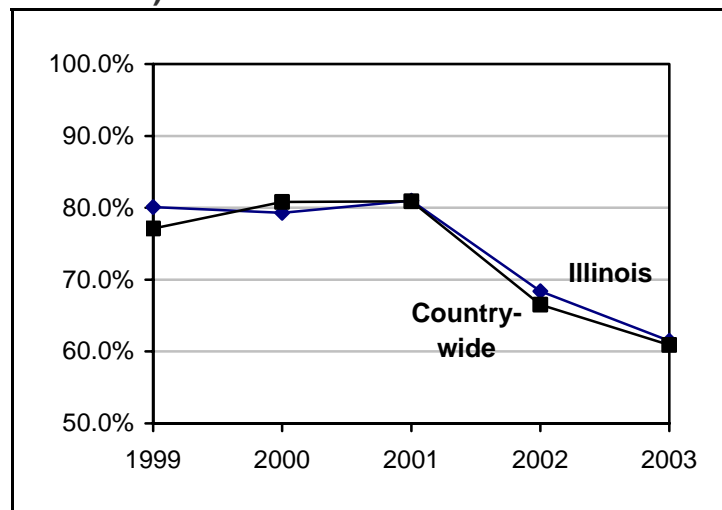
*Source: NAIC State Data Network, 2003 Illinois State Page Exhibit, Aggregate Totals of 317 Property/Casualty Companies.

**Source: NAIC State Data Network 2003 Insurance Expense Exhibit Part III Illinois-licensed insurers.

Figure 36 compares the five-year trend for loss percentage for Illinois and countrywide commercial automobile liability. The trend over the past five years in loss percentages in Illinois has been very similar to losses countrywide.

Figure 36

Commercial Auto Liability Losses as a % of Premiums Earned (1999-2003)



Medical Malpractice

Figure 37 shows the underwriting results for the medical malpractice market in Illinois and countrywide for 2003. Although medical malpractice losses in Illinois remained greater than losses countrywide, there was significant improvement from the previous year.

Figure 37

Medical Malpractice Underwriting Results (2003)

Medical Malpractice (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	601,776	5,336,647
Direct earned premiums	559,184	5,165,321
Expenses (% earned premium)		
Incurred losses	92.7%	80.3%
Def. & cost cont. exp. incurred	27.7%	26.4%
Comm./brokerage	6.2%	7.7%
Taxes, licenses & fees	1.7%	1.9%

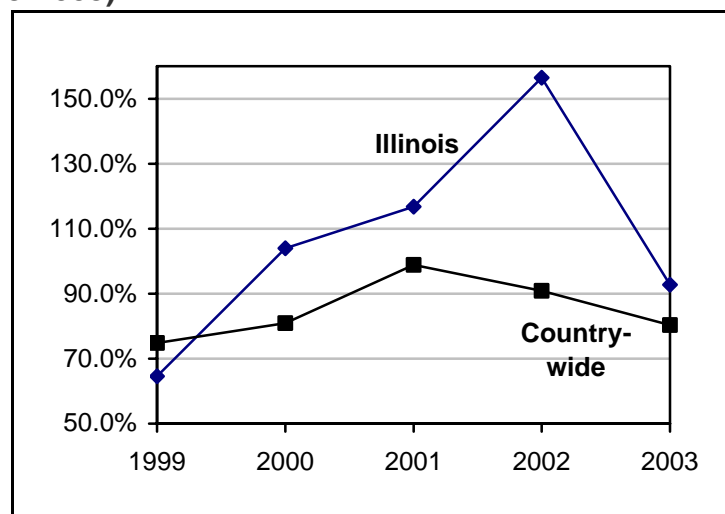
* Source: NAIC State Data Network, 2003 Illinois State Page Exhibit, Aggregate Totals of 62 Property/Casualty Companies.

**Source: NAIC State Data Network 2003 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

Figure 38 compares the five-year loss percentages trend for Illinois and countrywide medical malpractice insurance. After soaring to over 150% of earned premium in 2002, losses in Illinois dropped back down to below 100% and were more in line with nationwide losses.

Figure 38

Medical Malpractice Losses as a % of Premiums Earned (1999-2003)



Other Liability

Figure 39 compares the underwriting results between Illinois and countrywide for the other liability line of business.

Figure 39

General Liability Underwriting Results (2003)

Other Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	3,021,398	34,965,693
Direct earned premiums	2,756,718	32,486,165
Expenses (% earned premium)		
Incurred losses	108.4%	79.9%
Def. & cost cont. exp. incurred	16.4%	15.7%
Comm./brokerage	8.1%	13.2%
Taxes, licenses & fees	2.4%	2.5%

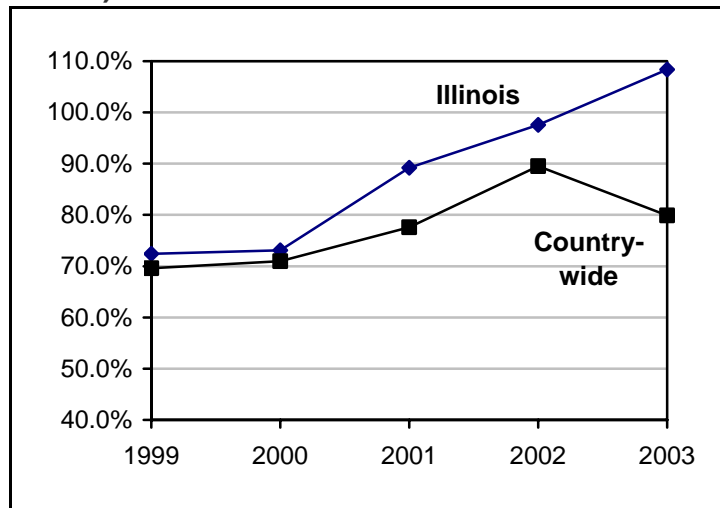
* Source: NAIC State Data Network, 2003 Illinois State Page Exhibit, Aggregate Totals of 440 Property/Casualty Companies.

**Source: NAIC State Data Network 2003 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

Figure 40 compares the five-year trend for loss percentages for Illinois and countrywide for other liability insurance. Losses in Illinois have increased steadily over the past five years, while nationwide losses dropped between 2002 and 2003.

Figure 40

Other Liability Losses as a % of Premiums Earned (1999-2003)



Workers Compensation

In order to slow the growth in workers' compensation claims costs during the last part of the 1980's, many states passed new laws that made it easier to manage medical costs and oversee the treatment plan and the return-to-work process. Larger deductibles, which made employers more concerned about safety, along with better fraud prevention also helped hold claim costs down.

However, from 1997 to 2000, workers compensation losses rose dramatically before retreating in 2001. Liberty Mutual conducted a study that found that rising claim costs had been driven by a widening definition of workplace injuries, more expensive medical treatments and a growing number of visits to medical practitioners.² But while claim costs had risen, the number or frequency of claims has been declining, 38% since 1990.

Figure 41 shows a comparison of the underwriting results in 2003 in the workers compensation line of business between Illinois and the nation. The countrywide numbers are an aggregate of Illinois-licensed insurers business nationwide.

Figure 41

Workers Compensation Underwriting Results (2003)

Workers Compensation (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$2,221,906	\$32,172,503
Direct earned premiums	\$2,157,119	\$30,886,917
Expenses (<i>% earned premium</i>)		
Incurred losses	75.1%	73.0%
Def. & cost cont. exp. incurred	5.7%	7.1%
Comm./brokerage	8.2%	7.4%
Taxes, licenses & fees	3.1%	4.8%

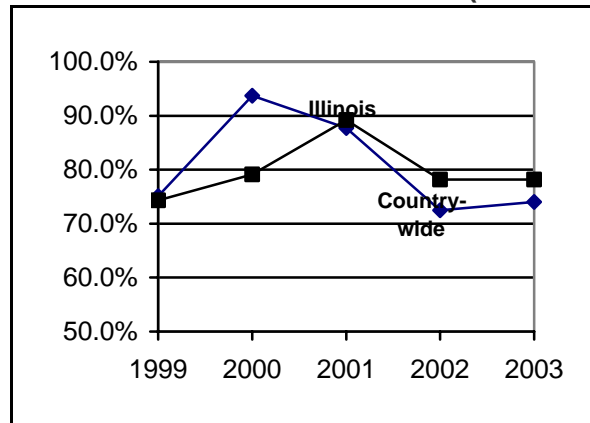
* Source: NAIC State Data Network, 2003 Illinois State Page Exhibit, Aggregate Totals of 286 Property/Casualty Companies.

**Source: NAIC State Data Network 2003 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

Workers compensation losses as a percent of earned premium are shown in Figure 41 for the years 1999 through 2002. As mentioned previously, since peaking in 2000 to above 90% of earned premium, workers comp losses have declined to under the 80% level.

² Insurance Information Institute.

Figure 41
Workers Comp Losses as a % of Premiums Earned (1999-2003)



Reliability

In determining whether the overall marketplace is viable, the Division must consider:

- Profitability.
- Financial Solvency Regulation.

Businesses that provide a financial service must be financially sound. An insurance contract has little value to the insured if there is no guarantee that the insurance company will have the money to pay claims when needed.

As discussed earlier, the Division must balance the seemingly divergent concerns of consumers and insurers. While we must ensure that consumers are able to buy insurance at a reasonable price, we must also ensure the overall viability of the marketplace.

One measure of a company's financial performance is its profitability. It must generate enough profit to survive and succeed. In a given month, if expenses exceed income, they must be paid from the reserve fund. If the trend continues, reserve funds run out causing the business to collapse. Therefore, it is imperative that insurance companies manage income and expenses to assure profitability and survival.

A company that can offer insurance coverage at competitive prices and reap adequate profits as an ongoing concern is considered to be financially viable. When the majority of insurers in the market are competitive and profitable, the market is considered to be financially strong.

Profitability

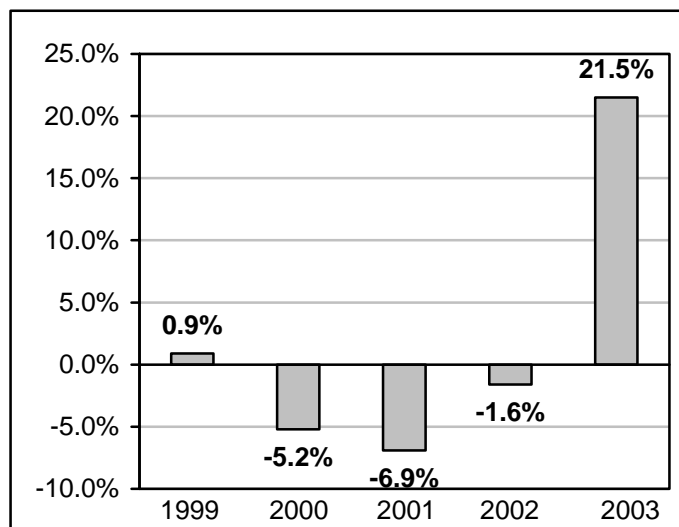
Change in Policyholders Surplus

One measure of overall profitability is the change in policyholders' surplus from one year to the next. Policyholders' surplus is made up of: 1) underwriting gains or losses; 2) investment gains or losses; and 3) net contributed capital and other surplus changes.

Figure 42 shows the percent change in policyholders' surplus for the Illinois-licensed property/casualty industry as a whole over the past five years. After three consecutive years of negative growth, the industry's surplus increased by 21.5% from 2002 to 2003.

Figure 42

Percent Change in Policyholders' Surplus (1999-2003)



Source: NAIC State Data Network

Figure 43 shows income from investments, net income, unrealized capital gains/losses and policyholders' surplus from 1999 to 2003. The property/casualty industry experienced a significant increase in net income and unrealized capital gains from 2002 to 2003.

Figure 43

Net Investment Income Earned, Net Income, Unrealized Capital Gains/Losses and Policyholders' Surplus 1999-2003 (in millions)

	1999	2000	2001	2002	2003
Net Investment gain	\$48,420	\$51,060	\$51,573	\$39,995	\$40,893
Net Income	22,797	21,231	(3,971)	11,485	27,199
Unrealized Capital Gains/Losses	789	(20,077)	(19,755)	(26,485)	30,624
Policyholders' Surplus	331,304	312,966	299,868	295,137	365,589

Source: NAIC State Data Network

Underwriting Gains/Losses

Figure 44 shows the aggregate underwriting gain/loss for Illinois-licensed insurers from 1999 to 2003. The industry experienced a significant improvement in underwriting losses in 2003 over the past four years. Earned premium grew 12% from 2002 to 2003, while losses incurred increased by only 0.6%.

Figure 44
Aggregate Net Underwriting Gain/(Loss) (in millions)
(1999 - 2003)

	1999	2000	2001	2002	2003
Premiums earned	\$234,928	\$243,787	\$260,142	\$290,397	\$325,159
Losses incurred	153,860	166,963	197,360	198,964	200,092
Loss expenses incurred	31,454	30,939	33,844	36,981	41,892
Other underwriting expenses incurred	67,654	69,109	72,730	79,362	85,604
Dividends to policyholders	<u>1,835</u>	<u>2,371</u>	<u>1,203</u>	<u>1,121</u>	<u>1,197</u>
Net underwriting gain/loss	<u>(\$19,875)</u>	<u>(\$25,595)</u>	<u>(\$44,995)</u>	<u>(\$26,031)</u>	<u>(\$3,626)</u>

Source: NAIC State Data Network

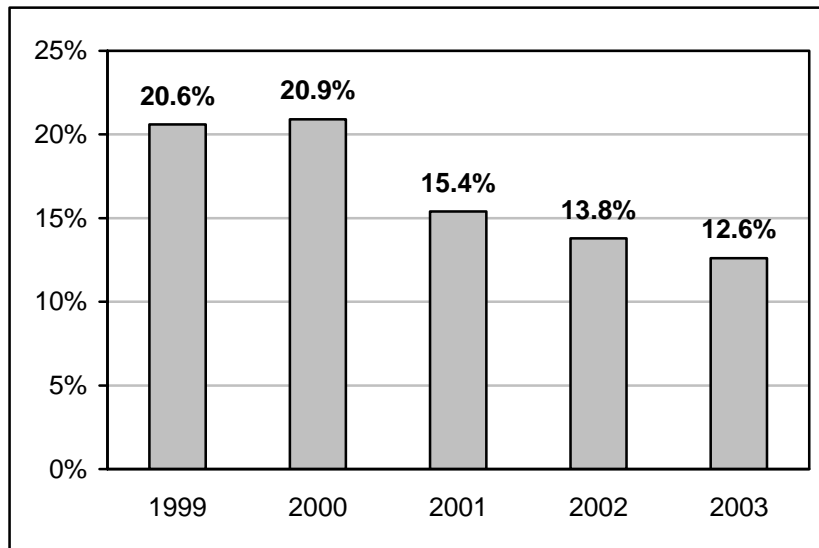
Net Investment Income Ratio

One component of surplus is income derived from investments. The net investment income ratio measures income from invested assets relative to earned premiums. It is calculated by dividing net investment income (income from invested assets less investment expenses and depreciation on real estate) by earned premium.

Figure 45 on the following page shows the net investment income ratio for Illinois-licensed property/casualty insurers during the most recent five-year period. This ratio shows the investment income component of overall profitability.

Figure 45

Net Investment Income Ratio (1999-2003)

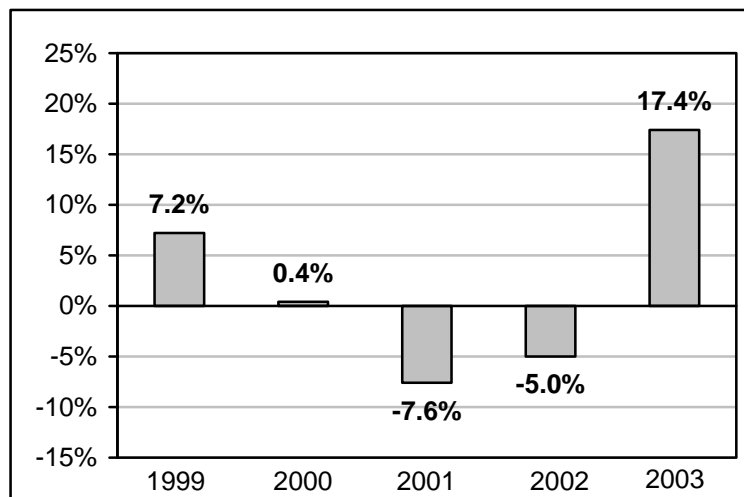


Source: NAIC State Data Network

Return on Policyholders' Surplus

Another measure of overall profitability is the return on policyholders' surplus. It is the sum of net income after dividends and taxes and unrealized capital gains divided by the average of the current year and prior year's policyholders' surplus.

Figure 46 shows the aggregate return on policyholders' surplus from 1999 through 2003 for the Illinois-licensed property/casualty industry combined. After three years of declining returns, two of which were negative, the industry was able to produce a 17.4% return on policyholder surplus in 2003.

Figure 46**Return on Policyholders' Surplus
(1999 - 2003)**

Source: NAIC State Data Network

Financial Solvency Regulation

Although the Division cannot guarantee that Illinois-licensed insurers are profitable, we monitor the financial solvency and strength of Illinois-licensed insurers in several ways including:

- maintaining a staff of trained accountants and specialists who identify companies developing financial difficulties so that the Division can step in to minimize potential losses to Illinois policyholders;
- working closely with insurance companies with identified financial difficulties to minimize potential risk to policyholders while attempting to resolve manageable problems or determine the need for rehabilitation or liquidation;
- employing field examiners for on-site evaluation of insurance company financial records;
- reviewing operations and compliance issues through scheduled, targeted, and special exams of known or suspected problems;
- maintaining a staff of actuaries who monitor the adequacy of loss reserves, cash flow testing, and proper valuation of assets;
- licensing and registering the many types of insurers, surplus lines producers, and risk sharing pools authorized by the Illinois Insurance Code and related Acts;
- Investigating unauthorized organizations or individuals thought to be conducting illegal insurance operations and taking regulatory action to remove them from the market to protect consumers from fraudulent activities.

BIBLIOGRAPHY

A.M. Best Data.

AIPSO Facts 2002/2003

Annual Reports to the Illinois General Assembly on Insurance Cost Containment (1989 - 2003).

Best's Aggregates and Averages 1999, 2000, 2001, 2002, 2003.

Best Week

Illinois Cost Containment Data.

Illinois Surplus Lines Association Data.

Insurance Information Institute

National Association of Insurance Commissioners (State Data Network).

National Council on Compensation Insurance (NCCI) Data.

APPENDIX A – Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2003

ASSETS

	Current year			Prior year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1 Bonds	524,461,788,999	108,339,103	524,353,449,895	466,335,953,588
2 Stocks:				
2.1 Preferred stocks (stocks)	13,690,504,529	(941,643)	13,691,446,172	12,780,077,565
2.2 Common stocks (stocks)	231,704,364,419	1,610,983,661	230,093,380,757	192,533,977,954
3 Mortgage loans on real estate:				
3.1 First liens	1,840,383,603	9,872,910	1,830,510,693	1,711,159,343
3.2 Other than first liens	47,881,084	2,025,000	45,856,084	58,647,371
4 Real estate:				
4.1 Properties occupied by the company	6,693,519,392	992,417	6,692,526,975	6,967,186,958
4.2 Properties held for the production of income	914,718,900	7,811,397	906,907,503	952,932,881
4.3 Properties held for sale	460,242,493	85,918	460,156,575	307,100,909
5 Cash, cash equivalents and short-term investments	72,923,437,639	191,290,844	72,732,146,795	55,891,013,032
6 Contract loans	1,112,414	1,112,414	-	-
7 Other invested assets	31,816,653,272	836,614,111	30,980,039,158	31,202,011,521
8 Receivable for securities	2,712,383,395	1,035,828	2,711,347,567	1,931,226,728
9 Aggregate write-ins for invested assets	4,974,866,590	3,940,990,961	1,033,875,629	3,754,462,117
10 Subtotals, cash and invested assets	892,241,856,726	6,710,212,922	885,531,643,804	774,425,749,974
11 Investment income due and accrued	7,279,263,625	1,924,850	7,277,338,777	6,882,100,795
12 Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	34,280,177,097	2,070,958,933	32,209,218,171	31,555,155,014
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	52,278,957,427	485,745,403	51,793,212,015	47,050,861,308
12.3 Accrued retrospective premiums	3,772,389,401	251,618,056	3,520,771,347	3,394,703,721
13 Reinsurance:				
13.1 Amounts recoverable from reinsurers	22,018,178,078	24,115,749	21,994,062,329	20,263,072,297
13.2 Funds held by or deposited with reinsured companies	11,545,119,236	28,725,827	11,516,393,408	8,233,792,858
13.3 Other amounts receivable under reinsurance contracts	492,795,976	(1,043,601)	493,839,577	201,794,535
14 Amounts receivable relating to uninsured plans	44,528,898	6,391,998	38,136,900	161,347,363
15.1 Current federal and foreign income tax recoverable and interest thereon	2,924,616,902	163,526,382	2,761,090,520	3,013,389,858
15.1 Net deferred tax asset	33,125,634,332	19,197,795,046	13,927,839,287	13,307,683,582
16 Guaranty funds receivable or on deposit	681,119,219	9,926,205	671,193,014	582,305,206
17 Electronic data processing equipment and software	2,970,195,465	1,548,579,962	1,421,615,503	1,579,223,563
18 Furniture and equipment, including health care delivery assets	2,115,147,612	2,111,356,152	3,791,459	3,842,708
19 Net adjustments in assets and liabilities due to foreign exchange rates	32,345,511	-	32,345,511	42,366,133
20 Receivable from parent, subsidiaries and affiliates	10,311,827,503	342,011,569	9,969,815,939	11,292,364,438
21 Health care and other amounts receivable	51,674,621	2,791,248	48,883,373	278,187,598
22 Other assets nonadmitted	1,757,845,430	1,754,054,540	3,790,890	12,722,960
23 Aggregate write-ins for other than invested assets	20,987,167,090	5,738,739,033	15,248,428,062	14,903,330,300
24 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,098,910,840,137	40,447,430,270	1,058,463,409,858	937,183,994,188
25 From Separate Accounts, Segregated Accounts and Protected Cell Accounts	24,570,966	-	24,570,966	26,983,542
26 Total (Lines 24 and 25)	1,098,935,411,103	40,447,430,270	1,058,487,980,824	937,210,977,728

APPENDIX B – Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2003

LIABILITIES, SURPLUS AND OTHER FUNDS		1	2
		Current Year	Prior Year
1.	Losses	306,107,971,103	287,342,229,725
2.	Reinsurance payable on paid losses and loss adjustment expenses	9,129,239,143	7,412,891,186
3.	Loss adjustment expenses	60,808,274,519	55,883,963,711
4.	Commissions payable, contingent commissions and other similar charges	3,879,794,321	3,079,147,959
5.	Other expenses (excluding taxes, licenses and fees)	16,512,031,094	15,038,397,836
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	4,571,018,722	4,299,639,740
7.	Federal and foreign income taxes:		
7.1	Current federal and foreign income taxes (including \$(1) on realized capital gains (losses))	3,233,747,076	2,121,642,277
7.2	Net deferred tax liability	10,239,705,923	6,228,338,776
8.	Borrowed money \$(1) and interest thereon \$(2)	2,140,022,514	2,136,340,991
9.	Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$(1) and including warranty reserves of \$(2))	148,249,013,283	132,854,024,977
10.	Advance premium	4,400,843,824	4,270,195,333
11.	Dividends declared and unpaid		
11.1	Stockholders	429,718,614	247,182,169
11.2	Policyholders	367,599,498	463,503,051
12.	Ceded reinsurance premiums payable (net of ceding commissions)	19,309,066,355	19,475,313,396
13.	Funds held by company under reinsurance treaties	33,869,728,706	27,088,429,405
14.	Amounts withheld or retained by company for account of others	6,112,578,742	4,796,027,284
15.	Remittances and items not allocated	1,454,687,295	1,257,077,687
16.	Provision for reinsurance	5,514,610,077	5,703,591,289
17.	Net adjustments in assets and liabilities due to foreign exchange rates	640,765,464	702,614,750
18.	Drafts outstanding	3,621,149,807	3,411,357,726
19.	Payable to parent, subsidiaries and affiliates	7,597,003,869	7,338,996,904
20.	Payable for securities	6,768,844,173	9,592,485,941
21.	Liability for amounts held under uninsured accident and health plans	1,099,349	475,443
22.	Capital notes \$(1) and interest thereon \$(2)	-	-
23.	Aggregate write-ins for liabilities	37,940,484,803	35,604,298,013
24.	Total liabilities excluding protected cell liabilities	692,898,998,273	636,348,165,548
25.	Protected cell liabilities	-	-
26.	Total liabilities	692,898,998,273	636,348,165,549
27.	Aggregate write-ins for special surplus funds	32,352,911,021	25,287,130,186
28.	Common capital stock	4,904,078,958	4,867,030,679
29.	Preferred capital stock	1,624,366,757	1,803,019,366
30.	Aggregate write-ins for other than special surplus funds	197,153,926	92,884,833
31.	Surplus notes	9,203,302,482	7,900,607,584
32.	Gross paid in and contributed surplus	140,900,692,876	127,021,696,239
33.	Unassigned funds (surplus)	177,399,274,659	134,891,268,709
34.	Less treasury stock at cost:		
34.1	(1) Shares common (value included in common capital stock \$(2))	988,459,869	989,584,509
34.2	(2) Shares preferred (value included in preferred capital stock \$(2))	4,338,220	9,856,540
35.	Surplus as regards policyholders	365,588,982,601	300,864,196,555
36.	Totals	1,058,487,980,860	937,212,362,086

APPENDIX C – Consolidated Underwriting and Investment Exhibit of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2003

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME		1 Current Year	2 Prior Year
UNDERWRITING INCOME			
1	Premiums earned	325,158,944,961	293,079,617,924
DEDUCTIONS			
2	Losses incurred	200,091,697,409	200,330,474,597
3	Loss expenses incurred	41,891,776,519	37,044,285,450
4	Other underwriting expenses incurred	85,603,884,502	80,036,154,278
5	Aggregate write-ins for underwriting deductions	370,034,828	337,396,894
6	Total underwriting deductions	327,957,393,258	317,748,311,212
7	Net income of protected cells	-	-
8	Net underwriting gain (loss)	(2,798,448,287)	(24,668,693,281)
INVESTMENT INCOME			
9	Net investment income earned	35,935,914,800	37,329,700,905
10	Net realized capital gains (losses)	4,957,474,772	3,139,317,718
11	Net investment gain (loss)	40,893,389,569	40,469,018,617
OTHER INCOME			
12	Net gain (loss) from agents' or premium balances charged off (amount recovered \$(1) amount charged off \$(2))	(811,347,301)	(803,626,510)
13	Finance and service charges not included in premiums	1,742,232,967	1,599,006,376
14	Aggregate write-ins for miscellaneous income	(2,102,709,998)	(1,673,143,536)
15	Total other income	(1,171,824,337)	(877,763,663)
16	Net income before dividends to policyholders and before federal and foreign income taxes	36,923,116,936	14,922,561,687
17	Dividends to policyholders	1,196,696,190	1,220,006,376
18	Net income, after dividends to policyholders but before federal and foreign income taxes	35,726,420,743	13,702,555,317
19	Federal and foreign income taxes incurred	8,527,389,955	1,381,360,159
20	Net income	27,199,030,797	12,321,195,156
CAPITAL AND SURPLUS ACCOUNT			
21	Surplus as regards policyholders, December 31 prior year	300,864,196,584	305,489,779,994
GAINS AND (LOSSES) IN SURPLUS			
22	Net income (from Line 20)	27,199,030,797	12,321,195,153
23	Net unrealized capital gains or (losses)	30,623,792,365	(25,583,168,653)
24	Change in net unrealized foreign exchange capital gain (loss)	248,290,000	106,403,264
25	Change in net deferred income tax	2,562,829,154	10,360,079,232
26	Change in nonadmitted assets	319,563,208	(9,044,215,057)
27	Change in provision for reinsurance	220,830,394	(513,180,379)
28	Change in surplus notes	1,301,108,469	1,342,098,870
29	Surplus (contributed to) withdrawn from protected cells	-	-
30	Cumulative effect of changes in accounting principles	(39,136)	1,358,531,419
31	Capital changes:		
31.1	Paid in	993,282,762	188,989,059
31.2	Transferred from surplus (stock dividend)	32,854,500	15,295,272
31.3	Transferred to surplus	216,920,177	(3,865,000)
32	Surplus adjustments:		
32.1	Surplus adjustments paid in	14,089,873,925	18,068,781,303
32.2	Surplus adjustments transferred to capital (stock dividend)	(496,497,241)	(15,295,272)
32.3	Surplus adjustments transferred from capital	(313,618,288)	(54,172,328)
33	Net remittances from or (to) home office	9,199,652	26,022,147
34	Dividends to stockholders	(11,498,139,239)	(10,585,331,781)
35	Change in treasury stock	6,642,960	(24,956,458)
36	Aggregate write-ins for gains and losses in surplus	(791,138,421)	(2,588,794,174)
37	Change in surplus as regards policyholders for the year	64,724,786,046	(4,625,583,373)
38	Surplus as regards policyholders, December 31 current year	365,588,982,639	300,864,196,621

APPENDIX D – Consolidated Cash Flow of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2003

CASH FLOW		Current Year	Prior Year
CASH FROM OPERATIONS			
1. Premiums collected net of reinsurance		335,694,158,936	308,330,623,084
2. Net investment income		36,236,989,481	37,938,409,568
3. Miscellaneous income		(1,067,470,816)	3,935,481,068
4. Total		370,863,677,590	350,204,513,732
5. Benefit and loss related payments		187,105,830,148	202,261,136,815
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		36,224	5,092,513
7. Commissions, expenses paid and aggregate write-ins for deductions		118,042,541,898	101,009,052,966
8. Dividends paid to policyholders		1,274,519,286	1,237,280,461
9. Federal and foreign income taxes paid (recovered) \$(1) net tax on capital gains (losses)		6,960,006,601	920,189,016
10. Total		313,382,934,156	305,432,751,773
11. Net cash from operations		57,480,743,431	44,771,761,961
CASH FROM INVESTMENTS			
12. Proceeds from investments sold, matured or repaid			
12.1 Bonds		374,911,855,191	317,600,353,418
12.2 Stocks		49,694,238,252	50,427,525,031
12.3 Mortgage loans		428,222,199	296,552,604
12.4 Real estate		908,890,511	741,330,472
12.5 Other invested assets		26,100,191,828	22,196,047,491
12.6 Net gains (losses) on cash and short-term investments		81,914,243	14,429,942
12.7 Miscellaneous proceeds		4,869,383,464	6,954,219,176
12.8 Total investment proceeds		456,994,695,681	398,230,458,135
13. Cost of investments acquired (long-term only)			
13.1 Bonds		426,358,918,442	346,767,826,798
13.2 Stocks		51,532,251,545	55,057,573,062
13.3 Mortgage loans		527,530,242	420,744,693
13.4 Real estate		1,042,073,842	1,025,659,487
13.5 Other invested assets		23,020,433,381	22,958,639,534
13.6 Miscellaneous applications		10,830,588,823	3,569,918,639
13.7 Total investments acquired		513,311,796,268	429,800,362,209
14. Net increase (or decrease) in policy loans and premium notes		450,790	(3,425,518)
15. Net cash from investments		(56,317,551,366)	(31,566,478,566)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
16. Cash provided/applied			
16.1 Surplus notes, capital notes		1,269,774,572	6,833,106,730
16.2 Capital and paid in surplus, less treasury stock		14,312,842,005	12,754,774,524
16.3 Borrowed funds received		388,662,102	(2,109,393,183)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		750,784,806	472,614,771
16.5 Dividends to stockholders		11,272,776,817	10,578,553,191
16.6 Other cash provided		10,219,033,335	1,679,729,488
17. Net cash from financing and miscellaneous sources		15,672,911,554	9,052,279,141
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18. Net change in cash and short-term investments		16,839,006,631	22,257,562,547
19. Net change in cash and short-term investments			
19.1 Beginning of year (cash and short-term investments)		55,891,050,476	33,637,445,716
19.2 End of year (cash and short-term investments)		72,730,057,090	55,895,008,272

APPENDIX E – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2003

**EXHIBIT OF PREMIUMS AND LOSSES
BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 2003**

Line of Business	1 Direct Premiums Written	2 Direct Premiums Earned	3 Dividends Paid or Credited to Policy- Holders On Direct Business	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Direct Defense And Cost Containment Expense Paid	9 Direct Defense And Cost Containment Expense Incurred	10 Direct Defense And Cost Containment Expense Unpaid	11 Commission & Brokerage Expenses	12 Taxes, Licenses And Fees
1 Fire	262,195,613	255,597,876	334,161	117,898,513	87,116,076	125,771,025	112,611,997	2,094,419	3,715,289	5,128,911	33,700,883	7,863,717
2.1 Allied lines	251,610,188	246,854,027	3,018,445	88,387,114	102,078,553	96,178,008	71,301,341	2,036,166	1,977,759	3,707,559	28,600,774	5,477,205
2.2 Multiple peril crop	187,971,320	185,709,135	-	6,407,578	133,728,086	110,882,327	42,343,395	399,139	46,624	1,745,657	21,596,466	478,632
2.3 Federal flood	17,610,194	17,292,170	-	8,955,657	1,022,028	913,710	286,558	63,484	63,832	8,175	2,583,461	80,637
3 Farmowners multiple peril	89,147,865	87,380,461	-	35,152,930	60,433,827	61,462,152	24,131,347	962,217	1,306,918	3,988,991	13,671,246	2,587,064
4 Homeowners multiple peril	2,001,179,407	1,859,860,149	2,051,704	1,052,953,226	1,119,083,952	1,142,555,223	494,934,193	26,679,876	30,229,471	61,859,272	279,138,917	48,303,575
5.1 Commercial multiple peril (non-liability portion)	837,714,439	806,242,010	226,842	407,127,709	389,286,989	351,661,392	308,471,609	17,261,109	26,163,015	48,330,572	131,984,906	17,933,739
5.2 Commercial multiple peril (liability portion)	531,205,838	506,135,127	168,588	247,388,610	224,629,278	296,464,057	976,113,175	90,809,153	158,877,698	341,019,405	86,933,114	9,322,334
6 Mortgage guaranty	243,068,727	233,163,373	-	24,556,801	53,991,801	96,566,088	371,602,783	958,231	1,822,589	3,728,210	850,006	4,946,415
8 Ocean marine	74,332,142	70,512,288	34,235	23,204,262	21,050,965	68,196,209	80,206,744	1,951,489	9,802,817	11,357,340	10,607,431	1,505,004
9 Inland marine	469,239,411	460,881,377	228,628	197,424,309	289,676,539	295,570,165	135,536,431	4,068,066	3,606,781	6,686,203	74,401,460	9,962,344
10 Financial guaranty	114,677,633	64,833,682	-	367,113,096	26,984,915	3,158,406	26,146,817	1,444,219	577,774	200,001	29,648	2,048,832
11 Medical malpractice	601,775,983	559,183,846	453,893	261,536,097	483,791,005	518,639,973	1,557,167,238	115,335,695	155,005,484	377,867,776	37,558,387	9,443,680
12 Earthquake	34,774,886	34,089,686	57,669	16,481,549	(110,108)	(481,417)	1,297,817	22,248	(119,379)	(9,996)	4,214,472	717,559
13 Group accident and health	267,422,421	255,458,010	-	90,445,466	248,182,931	245,083,431	172,989,229	2,660,528	1,202,163	443,473	28,093,880	2,756,089
14 Credit A&H (group and individual)	28,667,009	29,543,375	-	3,028,405	4,307,644	2,625,201	3,529,066	1,698	(956)	21,984	9,191,732	332,307
15.1 Collectively renewable A&H	387	450	-	353,647	(74,009)	22,761	2,306,077	-	-	-	1	18
15.2 Non-cancelable A&H	3,251	32,752	-	589,444	35	16,895	19,813	-	2,972	3,012	71	1
15.3 Guaranteed renewable A&H	68,524,409	4,073,733	-	182,762,299	28,273,758	36,245,934	56,469,494	34,279	119,615	256,856	12,550,855	703,262
15.4 Non-renewable for stated reasons only	49,646,148	50,226,775	3,345	11,346,737	47,184,341	45,531,436	33,303,719	526,395	432,549	670,123	3,258,710	618,650
15.5 Other accident only	22,825,964	22,298,454	774,124	1,095,156	7,052,330	6,407,050	3,538,021	6,969	(21,811)	9,838	2,960,551	225,159
15.6 All other A&H	7,795,724	8,092,447	-	1,542,082	3,095,022	5,525,388	6,840,635	74,198	473,238	743,962	984,522	90,532
15.7 Federal employees health benefits program	(184,500)	(184,500)	-	-	-	-	-	-	-	-	10	-
16 Workers' compensation	2,221,905,923	2,157,119,343	11,244,038	811,809,610	1,252,872,097	1,620,213,569	3,784,727,433	98,208,534	123,543,652	320,415,700	181,397,681	67,021,854
17 Other liability	3,021,397,921	2,756,717,747	429,842	1,555,736,563	1,632,210,263	2,988,307,925	6,762,396,138	285,098,201	451,088,247	1,146,419,013	243,405,317	73,144,987
18 Products liability	137,540,094	130,234,507	(5,650)	55,257,831	161,816,648	40,947,618	883,648,576	69,877,295	48,931,283	449,549,433	15,324,766	4,457,497
19.1 Private passenger auto no-fault (pip)	491,531	457,557	13,445	71,160	2,870,605	4,581,113	6,079,490	179,910	175,867	247,333	8,159,905	436,183
19.2 Other private passenger auto liability	3,021,334,632	2,966,184,456	4,469,328	890,721,356	1,843,949,092	1,959,799,096	2,348,182,524	135,897,869	144,076,573	338,045,805	330,722,538	46,437,640
19.3 Commercial auto no-fault (pip)	38,319	52,300	42	13,692	(213,818)	4,163,999	4,493,122	59,321	612,055	569,574	261,254	(9,218)
19.4 Other commercial auto liability	919,213,839	850,565,458	66,528	412,722,548	458,485,248	522,971,993	1,075,701,538	52,907,624	61,355,170	123,166,509	123,662,694	21,473,910
21.1 Private passenger auto physical damage	2,652,076,745	2,632,383,284	4,477,290	752,741,620	1,556,585,031	1,557,213,543	136,823,679	12,707,398	14,327,331	10,730,724	279,128,184	40,131,801
21.2 Commercial auto physical damage	340,443,982	339,385,917	3,151,129	140,732,768	172,312,305	170,489,792	54,962,530	2,974,146	1,547,825	3,989,807	47,980,372	6,551,368
22 Aircraft (all perils)	117,402,119	120,890,764	(2,531)	37,752,888	38,162,586	102,599,306	844,917,993	11,170,983	20,944,212	89,262,824	8,937,277	2,667,515
23 Fidelity	74,546,320	71,266,082	421	39,900,231	20,154,569	28,784,326	63,586,744	2,820,086	3,908,353	6,518,764	8,147,261	1,928,186
24 Surety	165,411,696	164,263,350	(62,150)	92,700,383	32,892,456	54,029,282	56,934,251	6,970,613	7,359,779	8,934,034	37,237,459	4,005,694
26 Burglary and theft	6,485,344	6,822,832	13,088	3,120,645	750,333	664,422	3,155,536	36,808	125,006	910,296	215,214	
27 Boiler and machinery	55,763,823	54,503,506	956	26,900,874	5,743,387	7,069,627	13,282,452	237,566	127,660	728,184	5,882,626	1,861,029
28 Credit	32,073,429	32,103,364	-	7,352,556	9,467,731	324,499	8,826,660	69,171	(1,394,187)	331,527	5,093,863	720,451
33 Aggregate write-ins for other lines of business	431,698,482	409,267,372	16,074,563	804,750,058	217,157,122	213,516,250	187,742,084	8,283,085	7,566,248	2,717,040	16,710,290	5,434,748
34 Totals	19,359,028,639	18,487,494,575	47,221,975	8,778,035,475	10,736,001,611	12,784,671,780	20,716,608,262	954,888,177	1,279,501,435	3,369,608,583	2,095,873,252	401,875,594

APPENDIX F – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2003

PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN
(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN		Premiums Written	Premiums Earned	Dividends To Policy- Holders	Incurred Loss	Defense And Cost Containment Expenses Incurred	Adjustment and Other Expenses Incurred	Unpaid Losses	Defense And Cost Containment Expenses Unpaid	Adjustment and Other Expenses Unpaid	Unearned Premium Reserves	Agents' Balances
1	Fire	6,388,531	6,176,084	8,261	2,534,891	49,914	184,476	3,616,385	188,495	111,241	3,260,659	1,160,612
2.1	Allied lines	5,528,962	5,296,487	7,940	2,389,197	121,106	204,792	3,907,292	166,390	94,234	2,176,561	947,648
2.2	Multiple peril crop	2,932,941	2,895,022	-	2,316,495	7,704	7,021	650,001	13,452	19,948	185,392	373,508
2.3	Federal flood	1,352,231	1,310,988	-	528,735	17,063	18,081	181,612	5,214	9,851	705,928	116,333
3	Farmowners multiple peril	1,172,229	1,112,709	-	626,524	24,816	58,155	354,097	59,214	26,162	544,515	224,006
4	Homeowners multiple peril	36,503,946	34,118,256	145,122	20,159,437	784,219	2,667,839	9,699,241	1,280,028	1,098,356	19,292,037	6,463,355
5.1	Commercial multiple peril (non- liability portion)	16,428,127	15,737,805	6,791	7,192,975	537,468	631,990	7,205,311	1,023,194	399,299	7,822,181	3,436,957
5.2	Commercial multiple peril (liability portion)	10,477,037	9,969,206	4,249	5,750,379	2,467,979	589,234	16,795,111	5,768,184	827,589	4,845,955	2,328,412
6	Mortgage guaranty	4,912,155	4,841,506	-	1,838,908	46,426	35,219	6,483,269	69,378	50,828	570,449	379,090
8	Ocean marine	2,911,689	2,804,406	3,151	1,678,702	126,052	88,978	2,666,839	185,079	63,310	1,017,485	437,154
9	Inland marine	9,722,766	9,712,624	10,180	4,192,671	130,207	271,312	2,967,418	177,638	141,113	4,042,111	1,719,989
10	Financial guaranty	3,798,010	2,349,998	-	142,831	24,456	3,414	540,335	5,870	2,561	10,134,643	73,386
11	Medical malpractice	5,336,647	5,165,321	8,838	4,150,108	1,363,242	243,054	11,903,008	3,178,483	381,209	2,011,176	897,010
12	Earthquake	1,026,436	992,541	2,897	243,483	41,228	20,440	302,200	49,316	19,219	503,373	167,459
13	Group A & H	5,947,811	5,827,446	7	3,891,597	15,253	164,551	2,788,137	21,146	68,001	974,456	712,268
14	Credit A & H	302,362	300,794	-	37,929	13	2,411	47,901	187	1,393	60,823	19,090
15	Other A & H	3,281,542	2,747,162	1,660	1,721,160	19,892	85,141	1,623,344	26,862	62,498	3,041,242	414,057
16	Workers' compensation	32,172,503	30,886,917	438,619	22,534,524	2,201,482	1,823,324	68,833,057	5,412,250	2,992,457	9,125,358	7,369,100
17	Other liability	34,965,693	32,486,165	16,964	25,960,088	5,104,685	1,406,922	73,908,146	13,698,767	2,455,219	16,565,435	6,499,768
18	Products liability	2,755,833	2,577,159	469	3,207,941	1,186,682	182,427	12,391,707	3,781,953	401,641	1,113,348	531,774
19.1	Private passenger auto liability	69,730,457	68,248,287	264,606	45,216,541	3,283,574	6,471,789	58,450,340	7,591,995	4,438,967	20,940,111	12,276,585
19.3	Commercial auto liability	17,829,860	17,104,747	4,624	10,418,176	1,082,881	1,033,590	21,061,590	2,367,486	984,669	7,627,601	4,314,296
21.1	Private passenger auto physical damage	48,811,068	48,165,390	224,641	28,131,443	216,586	4,417,097	2,586,826	195,970	942,065	14,519,048	8,546,464
21.2	Commercial auto physical damage	6,268,911	6,122,488	4,358	2,930,286	43,470	354,108	738,839	81,968	92,350	2,696,494	1,457,392
22	Aircraft (all perils)	3,270,810	3,177,258	(3)	1,198,502	138,696	38,331	4,166,362	409,717	37,018	1,136,848	592,413
23	Fidelity	1,266,665	1,193,135	250	448,869	34,195	28,616	973,506	97,670	40,085	682,930	256,158
24	Surety	3,689,862	3,518,888	36,001	1,567,064	199,742	132,094	2,059,086	312,038	105,332	2,118,295	641,406
26	Burglary and theft	114,726	111,813	36	23,130	340	2,884	31,692	3,055	1,585	57,296	20,434
27	Boiler and machinery	1,215,053	1,197,967	33	300,669	11,639	33,506	457,570	19,467	22,284	579,302	227,790
28	Credit	575,700	462,448	-	219,821	(301)	9,221	159,896	3,748	1,573	369,723	62,917
29	International	106,031	67,676	-	91,943	493	6,679	121,846	1,490	40	51,419	2,136
33	Aggregate write-ins for other lines of business	4,232,945	3,763,217	17,653	2,618,632	42,249	64,837	3,059,915	106,978	40,992	7,176,149	267,128
34	Total	345,029,577	330,441,890	1,207,355	204,263,607	19,323,452	21,281,504	320,731,873	46,302,701	15,933,115	145,948,372	62,936,097

APPENDIX F (continued) – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2003

PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN

(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN		Commission And Brokerage Expenses Incurred	Taxes, Licenses and Fees Incurred	Other Acquisitions, Field Supervision and Collection Expenses Incurred	General Expenses Incurred	Other Income Less Other Expenses	Pre-tax Profit or Loss Excluding all Investment Gain
1	Fire	830,974	165,765	312,841	380,374	(40,850)	1,667,744
2.1	Allied lines	646,595	132,039	243,062	368,341	(32,859)	1,150,554
2.2	Multiple peril crop	217,224	2,365	(28,540)	32,009	22,614	363,361
2.3	Federal flood	225,120	22,311	12,751	8,455	20,946	499,414
3	Farmowners multiple peril	197,701	27,099	74,421	58,299	6,442	52,134
4	Homeowners multiple peril	4,943,360	919,499	2,837,951	1,554,988	122,378	228,226
5.1	Commercial multiple peril (non-liability portion)	2,609,023	456,071	1,102,019	1,041,128	(62,502)	2,097,837
5.2	Commercial multiple peril (liability portion)	1,794,379	241,935	613,175	612,056	(40,879)	(2,145,031)
6	Mortgage guaranty	8,098	117,456	296,036	608,792	(17,581)	1,872,989
8	Ocean marine	473,372	41,964	107,595	135,848	(50,960)	97,785
9	Inland marine	1,531,711	244,909	467,804	420,526	(171,834)	2,271,459
10	Financial guaranty	261	74,102	326,612	298,045	11,667	1,491,946
11	Medical malpractice	409,555	99,042	116,604	295,732	(9,349)	(1,530,191)
12	Earthquake	122,181	25,329	58,072	44,700	1,413	435,624
13	Group A & H	724,727	86,233	162,411	186,212	(128,623)	467,836
14	Credit A & H	91,925	7,208	4,363	52,556	154	104,544
15	Other A & H	527,423	33,683	175,287	141,668	(146,865)	(105,612)
16	Workers' compensation	2,393,811	1,470,525	1,484,043	1,618,486	(458,279)	(3,536,197)
17	Other liability	4,629,545	809,814	1,452,220	1,475,222	(611,320)	(8,980,633)
18	Products liability	322,950	60,107	125,317	150,429	(2,328)	(2,661,488)
19.1	Private passenger auto liability	6,096,096	1,705,658	5,016,783	3,188,816	318,316	(2,677,269)
19.3	Commercial auto liability	2,351,542	466,299	897,924	923,539	(94,374)	(168,206)
21.1	Private passenger auto physical damage	4,276,409	1,174,230	3,484,393	2,178,950	208,385	4,270,000
21.2	Commercial auto physical damage	868,833	156,190	373,379	350,885	(8,742)	1,032,241
22	Aircraft (all perils)	254,953	57,583	77,189	77,505	(98,414)	1,236,090
23	Fidelity	155,689	29,436	95,824	69,527	(22,427)	308,300
24	Surety	906,316	100,904	375,941	392,740	(16,124)	(208,048)
26	Burglary and theft	26,740	2,703	9,549	5,708	(849)	39,875
27	Boiler and machinery	109,808	32,368	98,242	116,838	(13,937)	480,941
28	Credit	162,083	12,011	10,592	19,158	(3,417)	26,456
29	International	6,528	2,918	(67)	8,531	163	(49,184)
33	Aggregate write-ins for other lines of business	424,592	84,470	77,632	132,026	20,637	321,754
34	Total	38,339,574	8,862,262	20,461,454	16,948,105	(1,299,381)	(1,544,779)



Requests for copies of this report or questions regarding any information contained in this report should be directed to the Cost Containment Section, Illinois Department of Insurance, 320 W. Washington, Springfield IL 62767-0001. Phone (217) 785-2228; Fax (217) 782-2244. Printed by the authority of the State of Illinois.

\$1.73 copy; 165 copies 7/04 05-07